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BOSSISM AND MONOPOLY

THOMAS CARL SPELLING

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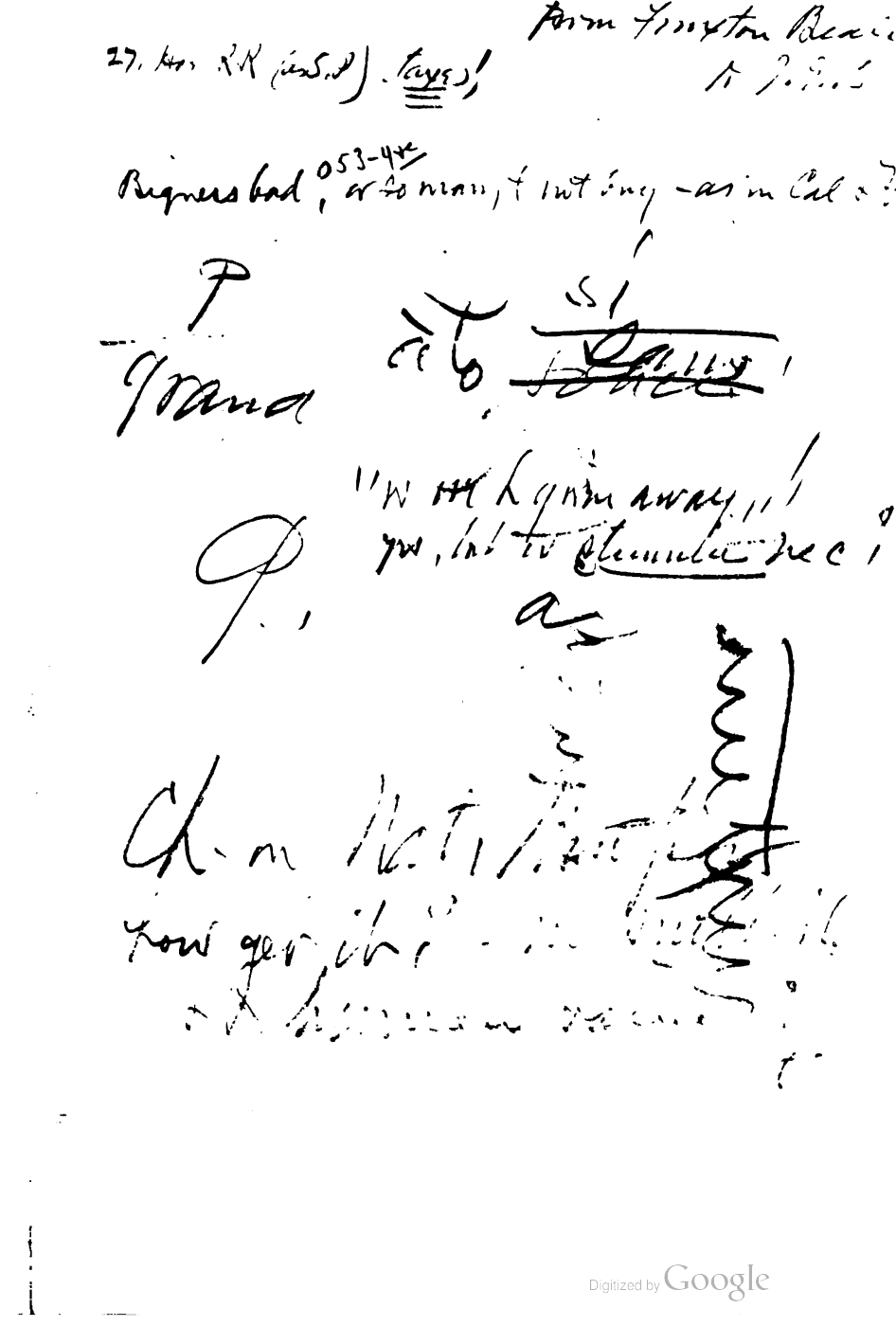

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BOSSISM AND MONOPOLY

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BOSSISM AND MONOPOLY

BY

THOMAS CARL SPELLING

AUTHOR OF "TRUSTS AND MONOPOLIES," "LAW OF PRIVATE CORPORATIONS," "NEW TRIAL APPELLATE PRACTICE," ETC.

D. APPLETON AND COMPANY
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1906

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PREFACE

By earlier association and education, and later by professional environment and interest, the author inclined strongly to ultraconservatism. He sternly rejected all suggestions that there could exist in this country such industrial combinations as could not be controlled by competition, or such monopolies in transportation as could not be controlled by State regulation. He chose to be satisfied with existing economic conditions and tendencies, and accepted as practical only such changes as appeared to evolve automatically in the progress of civilization. And yet, being of an investigating turn of mind and a student of economics and politics, he began an earnest study of the most serious problems of the time, as well as of the remedies and palliatives proposed. As a result, he is finally convinced (1) that the dangers to republican institutions suggested by the radicals are real and imminent; and (2) that far-reaching, or what may be termed radical, remedies are necessary to arrest evil tendencies and restore to the people equality of opportunity.

A restoration of the property values of which the general public have been unjustly deprived cannot be brought about in the present generation. That must be left to the great leveler, time. The results of the author's examination of concurrent events and accessible facts to prove the premises, and his arguments in advocacy of adequate remedies are set forth in the following pages.

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Our governments assume gratuitously responsibilities which no solvent insurance company or any sane business man would assume for pay. The laws as interpreted by the courts require the patrons of public-service corporations to provide funds to cover not only losses resulting from natural deterioration but to make repairs and improvements, thus keeping up the principal equal to the demands of public service, all taken out as operating expenses; also to insure a profit from the business. Imperceptibly this vicious form of paternalism has been given conclusive legal sanction and status, paternalism under which the strong are fed and the weak starved. It constitutes of itself a special privilege of priceless value, and is therefore undemocratic and destructive.

It is impossible to calculate to what extent the wealth of the nation has been sequestered into the hands of the holders of stocks and bonds of public-service corporations —municipal, State, and interstate—under the operation of this false economic theory. But we know that public-service corporations now receive the equivalent of average business profit on nearly thirty billions of the estimated one hundred billions of the nation's wealth, that the proportion which they receive has been constantly increasing, and that these great interests have by recent combinations tightened their monopolistic grip and acquired power to accelerate the accretion and raise indefinitely their percentage of aggregate wealth.

The hopelessness of ever getting rid of admitted evils without a change in our political methods becomes more clearly apparent the more one studies to-day's interstate-transportation and local municipal-service problems. Therefore, the bringing about of a change of methods, and a modification of that idealistic relation which the best citizens imagine they hold to those vague entities called parties, appears to be the first, in fact the

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principal, task. The whole question rests with the electorate. But the general body of voters are led by certain men whom they know as party leaders, who in fact are party tyrants, otherwise known as bosses. And when you have found the party boss, if you will carefully search the background you will find his political twin brother, the monopolist. No proper indictment can be drawn against the one which does not include the other, nor can the monopoly be overthrown without at the same time unhorsing the boss. Of course, if the monopolists and bosses deign to notice this production at all, they will denounce it, as they do all attempts to dislodge ill-gotten power, as "rank socialism." We may safely concede that the remedy herein offered is a step, or a tendency, toward the end kept in view by socialists; but even so, that constitutes no valid objection to any needed reform. One would be foolish to refrain from ever taking a bath lest he catch cold or drown. It would be idiotic for a people, individually or collectively, to forever deny themselves what they desire and really require, merely because it resembles, or reminds them of, something which they do not want.

In none of the many volumes, or thousands of speeches and articles contributed to newspapers and magazines, on the "trust" question has its true legal status been explained. It is truly stated in the opening chapter, though only incidentally involved in the discourse. The motives of political parties for withholding from the public a true statement, and their failure to propose an effective remedy, are not entirely clear.

The purpose of this book is not to humiliate Americans by pointing out their lack of public spirit and need for a moral awakening in all that pertains to government, but is rather to state boldly and without an attempt at concealment true conditions as the author sees them. It is better to know the worst and to apply the

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remedy than to go straight to destruction under a delusion.

This book wars against some accepted conditions and preconceptions. Therefore, it is to a degree argumentative. It appeals in small degree to the imagination, but largely to reason. In establishing premises, the utterances of well-known authors, publicists, and statesmen are freely used. Whatever the reception accorded his views, the author is thoroughly convinced of their correctness.

T. C. S.

November, 1905.

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BOSSISM AND MONOPOLY

"You can fool part of the people all the time; you can fool all the people part of the time; but you can't fool all the people all the time."—LINCOLN.

CHAPTER I

GENERAL MONOPOLY AND "TRUST" SITUATION ELUCIDATED—DECEPTIONS EXPOSED AND DELUSIONS DISPELLED

THERE is no law of Congress or of any State against, nor are there any positive common-law rules inimical to, mere monopoly. The courts have for over a century recognized monopolies as economic or industrial evils, but have never had any repressive powers, except when monopoly resulted from a restrictive agreement between two or more individuals. Against such arrangements a rule of public policy, a sort of judicial fiction, was invoked.

To illustrate: Two or more men may buy or lease every acre of pine timber in the world, and thus make every inhabitant of the earth as dependant upon them for pine lumber as upon change of seasons for crops; and yet, so long as no agreement is made between them the direct effect of which is to curtail the contractual freedom of any individual, no court anywhere, so far as known, would have power to interfere with them or deprive them of any benefit arising from their monop-

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oly. So that the only decisions by our courts, State or Federal, to be found, whether based on common law or statutes, whereby men or corporations have been held liable, either to be enjoined, mulcted in damages, or criminally punished, are based upon agreements, express, or arising by implication from their conduct, in restraint of trade.

Owing to the peculiarities of our Federal Constitution and of the partition of powers between State and Federal governments, and also owing to the liberality of certain State legislation, there are ways for creating and maintaining monopolies of all kinds for which no judicial remedy can be found.

In 1890 an act was passed by Congress on the subject of contracts or agreements in restraint of interstate commerce, intended to reach certain combinations formed by agreements between men and between corporations, called "trust" agreements. There have been few such agreements in a form to be dealt with under that act, because as soon as it was passed, those desiring to monopolize or restrict interstate commerce found other methods for doing so than by making such agreements. It is doubtful if there is to-day a single institution or business arrangement within the inhibitions of that act, notwithstanding that trade, transportation, and manufacturing monopolies are more numerous and powerful than ever before. What is called the "Beef Trust" is not a trust at all, but rather a "pool." It is a secret pool, difficult or impossible to be suppressed, or even hindered, by judicial remedies or proceedings, but it is not a trust.

The term "trust" has a much wider legal meaning than as used in this connection. It arises from contract, also by operation of law, in all cases where one individual or corporation holds the legal title to property and another enjoys, or is to enjoy in the future, the

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beneficial interest. A "trust" whereby a monopoly was created consisted in the transfer of stocks of several corporations to individuals, called trustees, or to a corporation, the legal title to be held by such trustees or corporation, while the persons making the transfers in trust received the dividends or otherwise enjoyed the beneficial interest. During the presidential campaign of 1900 Senator Hanna stated that there were no trusts, meaning no doubt that there were no monopolies the subject of popular complaint in the form of a trust. Nearly every Democratic voter in the country took him severely to task for that utterance and made it the subject of much ridicule. And yet the Senator told the truth. Whether the fact was ascertained by himself or the information was imparted to him by some lawyer is immaterial. The form of combination above described was adopted in the eighties by a few great interests, notably the Standard Oil, the North River Sugar Refineries, and the Distilling and Cattle Feeding Company. But such combinations were so obviously restrictive of trade, even under the common-law test, that they could be, and were, some previously and others subsequently, reached and dissolved through State courts.

The people were long ago entitled to have explained to them the true intent and meaning of the decisions in the "trust" cases. But instead of clearly stating the situation, the successive heads of the law department of the Federal Government, from Olney to Moody, have indulged in vague expressions and mystifications. For instance, when the appeal in the "Beef Trust" injunction case was decided by the Supreme Court, Mr. Moody, in an official interview, said:

"The opinion sustains in all respects the contentions of the Government. It makes it clear that all combinations between independent individuals, partnerships, or corporations engaged in interstate commerce, by which

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competition between them in such commerce is suppressed, fall under the prohibition of the so-called Anti-Trust act."

This was translated by the press—whether intentionally or not, of course, cannot be stated—to be a menace to all industrial monopolies, such, for instance, as the "Sugar Trust," the "Standard Oil Trust," etc. But it will be noted that Mr. Moody was cautious in his statement, only declaring the decision to be applicable to combinations "between independent individuals, partnerships, or corporations engaged in interstate commerce, by which competition between them in such commerce is suppressed." He should have added something like this: "But whatever the intentions of individuals who come together and form a corporation under the laws of any State, the Anti-Trust law does not reach them unless they express an intention to monopolize interstate commerce in their constating agreements; therefore the decision offers no relief with reference to the other industrial monopolies of which there is general complaint."

He might truthfully have gone further and stated that the decision was worthless even as to the "Beef Trust," for the reason that the court struck out the sweeping clause of the injunction and left the packers free to adopt any new devices they could invent for an evasion of the law. And this they have done.

To see the futility of any of the moderate remedies which have been proposed, and the necessity for a radical, far-reaching measure, such as will require an amendment to the Federal Constitution and legislation pursuant thereto, and probably government ownership of transportation in addition, it is only necessary to consider the evolution of the great corporations, now designated as "trusts." In all the great lines of manufacturing, as well as in production of materials to be used

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in further manufacturing, as of finished products, there had been great demoralization, loss of profits, and failures during the period preceding the organization of such combinations as the North River Sugar Refining Company of New York and the Standard Oil Company of Ohio, both dissolved by decrees of the courts of these States. Many attempts by manufacturers to limit production and control prices by pooling arrangements, such as the railroads had resorted to, were attempted, and, as a rule, had failed, leaving matters in a worse state than before. The common-law inhibitions were sufficient to have undone the loosely organized trusts, even without the statutes directed against them. But in 1889, and subsequently, a majority of the States, both by constitutional amendment and statute, declared uncompromisingly against all combinations and contracts in restraint of trade. In 1890 the Sherman Anti-Trust law was passed by Congress. It was impossible that the trusts as then formed should survive in so hostile an atmosphere.

Prior to 1889 no State had ever by general law conferred upon corporations the power to purchase and hold, for purposes of voting and thus securing control, the stocks of other corporations. And the courts had uniformly denied to them such power as a common-law right. After the stringent State and Federal anti-trust legislation of the period just spoken of had made it impossible for the trust to obtain a legal footing, one State—New Jersey—was found willing to do that which hitherto it had been found impossible to have done in any State. In 1889 its incorporation law was so revised as to include among the lawful purposes of incorporation the right to purchase the stock of any company or companies owning, mining, manufacturing, or producing materials or other property necessary for their business, and to issue stock in payment therefor. In 1893 the

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scope of the New Jersey statute was further enlarged to read as follows: "Any corporation may purchase, hold, sell, assign, transfer, mortgage, pledge, or otherwise dispose of the shares of the capital stock of, or any bonds, securities, or other evidences of indebtedness created by, any other corporation or corporations of this or any other State, and while owner of said stock may exercise all the rights, powers, and privileges of ownership, including the right to vote thereon."

Under this statute three or more men may form a corporation, and through it do, anywhere in the world, any and all business that any and all corporations formed in that or any other State may lawfully do, provided that in its organization it violates no New Jersey law and complies with certain easy requirements of the New Jersey incorporation laws. This statute had important and far-reaching consequences. Many other States had enacted strict "anti-trust" laws, but a corporation in any State could nullify the restrictive laws of such States by merely transferring a controlling interest in its stock to a corporation formed in New Jersey. So corporations in different States engaged in any line of manufacturing—sugar, steel, petroleum, leather goods, tobacco, etc.—could come to an agreement in New York City or anywhere, and then have three or more office clerks incorporate in New Jersey a million or a billion-dollar company. Then all they had to do in order to obtain complete immunity from the Federal, as well as from all State, "anti-trust" laws, was to have transferred to the new corporation a controlling interest of the combining companies. This done, a legal status was given to the combination, however restrictive of State and interstate trade, however monopolistic in its design and power.

It has often been asserted that the policy of New Jersey in thus amending her incorporation laws was

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vicious and discreditable to a sovereign State. But if it was, the same discredit attaches to Delaware, West Virginia, Maine, New York, South Dakota, Nevada, and Oklahoma for following her example. The incorporated trusts and other large corporations having their origin in New Jersey cannot be prevented, either by Federal or State authority, from doing business in any part of the country where they find it profitable. No other courts have jurisdiction of proceedings against corporations to forfeit their charters or to restrain them from usurping franchises or powers other than those of the States granting the charters, and, as we have seen, the laws of New Jersey, and of the other States mentioned here, protect them from such proceedings in their home courts.

Now, by reference to a few Supreme Court decisions, the narrowness of the power of Congress to legislate, and the narrow limits within which the Sherman act is operative, will be seen.

In United States *vs.* Knight (156 U. S. Rep., 1), also in the late case of Anderson *vs.* United States (171 U. S. Rep., 604), the Court said that when it is seen that the agreement entered into does not directly relate to, act upon, and embrace interstate commerce, and that it was executed for an entirely different purpose, and that it was calculated to attain it, the agreement would be upheld if its effect upon interstate commerce were only indirect and incidental. In the Knight case, a corporation had been formed under the laws of a State. The organizers of it represented various other corporations and firms engaged in the refining of sugar in different States. The properties of all had been or were immediately transferred to this newly formed corporation, the American Sugar Refining Company, whose purposes, set forth in its articles, were the manufacture and sale of all kinds of sugar. The Court refused to

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look beyond the articles to discover a purpose to monopolize interstate commerce in sugar, though, as a matter of fact, the corporation thus formed controlled ninety-eight per cent of the total output, and is to-day as complete a monopoly as can be found. The Court also, in support of its decision adversely to the Government, said, in substance, that Congress could not concern itself with the subject of manufacturing, and that it should not consider stock deals nor the proceedings to create corporations, nor their powers when organized. This line of delineation between what is and what is not within the provisions of the Sherman act is also made clear in the Northern Securities case, where the decision was in favor of the Government, the Court saying: "What the Government has particularly complained of—indeed, all that it complains of here—is the existence of a combination among the stockholders of competing railroad companies which, in violation of the Act of Congress, restrains interstate commerce through the agency of a common corporate trustee designated to act for both the companies in repressing full competition between them." In that case the incorporators were a majority of the stockholders in certain interstate railroads, the corporation formed by them being merely a holding, or trustee company, and it was sufficiently apparent from the constating agreements, including the articles, that the principal purpose of the Northern Securities Company was the monopolization of interstate commerce in a large section of the United States, and therefore the agreements were considered within, and made the company so formed amenable to, the terms of the Sherman act. But it seems to be settled by these cases that the mere manufacture and sale of a commodity, upon however extensive a scale, and though the sales are largely for delivery to citizens of other States, and though one manufacturing and selling

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company have a virtual monopoly, yet that does not render it a violation of the provision directed at those who "monopolize or attempt to monopolize interstate commerce." It seems that to constitute a violation of the statute there must be a precedent agreement in restraint of interstate trade, and that no amount of actual monopolization, in the absence of such agreement, will constitute persons or corporations violators of the statute. With these two cases before us, we are the better able to understand the decision in Addyston Pipe and Steel Company *vs.* United States (175 U. S. Rep., 211). In the case just mentioned, it clearly appeared that the six defendant corporations were manufacturers for sale of steel pipe; that together they produced about two-thirds of the entire production within well-defined boundaries, specified in their agreement, and that the agreement, as it was afterwards carried out, was effective to shut out competition and maintain prices above what they would have been without the agreement and coöperation under it. Had the stockholders of the six companies combined their properties and formed a new corporation, taking its stock for that of their respective companies, with only the usually specified purposes of a manufacturing corporation, they might just as effectually have monopolized the business without violating the Sherman act. The case would then have been "on all fours" with the Knight case. But the Addyston case disclosed a combination in the nature of a pooling agreement instead of a corporation. The arrangement between various packing companies came under the ban of the law for similar reasons.

We may obtain a clearer view of the theory and working of the Sherman Anti-Trust Act if we watch the progress and evolution of the beef business in this country. We will suppose that many years ago four

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butchers supplied the town of Chicago with fresh meat. Being injured by each other's competition, they agreed to pay less for live stock, or to sell for a higher price, or to do both. That is a contract in restraint of trade, but to be dealt with by State authorities exclusively. The same would have been true if all the butchers in the State of Illinois, or even all in the United States, had been parties to the agreement, so long as the trade of the combination was to be restricted to one State. Let us suppose, however, that our four butchers, without any such agreement, have become packers and dealers upon a colossal scale, have each taken in partners, and finally incorporated with large capital stock, each company having branch houses in various cities in other States, each controlling one-fourth of all the slaughtering and packing in the United States. We will also suppose that their interests outside Chicago do not clash, one having its branch house in Kansas City, one in Omaha, one in Fort Worth, and the other in St. Paul, so that each has a complete monopoly over a large territory. Thus far there are four monopolies, one in each of the territories adjacent to the respective branch establishments. Thus far neither can be reached by any provision of the Sherman act under the decisions, nor for that matter under any State statute. We may go still further without running counter to the act. Suppose the majority interests in each and all of the four establishments unite in the formation of one great corporation under the laws, we will say, of New Jersey, and transfer to it all their properties and business, providing for a principal place of business and location of their central plant at Chicago, as may be done under the New Jersey statutes. If their articles of incorporation do not indicate a purpose to monopolize the buying, slaughtering, packing, and disposal of the products of live stock—as there would be no advantage

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in doing—they are still immune from liability according to the decision in the Knight case. But suppose, instead of taking that course, they, as four distinct corporations, arrive at a "gentleman's agreement," as separate corporations, not to bid against each other, to pool profits, to maintain prices, to coerce rebates and special rates from the railroads (all of which, it was alleged, they did), the Sherman act, if it were practicable to reach and deal with such secret understandings, would be effective against them.

The defect of power on the part of Congress is inherent in limitations placed by the courts upon the definition of the term "interstate commerce" as used in the Constitution. In Kidd *vs.* Pearson (128 U. S. Rep., 1–22) the Court said: "If it be held that the term includes the regulation of all such manufactures as are intended to be the subject of commercial transactions in the future, it is impossible to deny that it would also include all productive industries that contemplate the same thing. The result would be that Congress would be invested, to the exclusion of the States, with the power to regulate not only manufactures, but also agriculture, horticulture, stock-raising, domestic fisheries, mining—in short, every branch of human industry. For is there one of them that does not contemplate, more or less clearly, an interstate or foreign market?" In Gibbons *vs.* Ogden (9 Wheat., 1, 189, 210) Chief Justice Marshall, delivering the opinion, said: "Commerce" (referring to interstate commerce) "undoubtedly is traffic, but it is something more—it is intercourse. It describes the commercial intercourse between nations and parts of nations in all its branches, and is regulated by prescribing rules for carrying on that intercourse." And so the court in the Knight case held that that which belongs to commerce within this sense is within the jurisdiction of the United

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States, but that that which does not belong to such commerce is within the jurisdiction of the police power of the State. And further along, Chief Justice Fuller, delivering the opinion in the latter case, after quoting and discussing Chief Justice Marshall's definition, said: "The fact that an article is manufactured for export to another State does not of itself make it an article of interstate commerce, and the intent of the manufacturer does not determine the time when the article or product passes from the control of the State and belongs to commerce." Again, in Anderson *vs.* United States (171 U. S. Rep., 604), it was held that whether the members of a traders' live stock exchange were or were not engaged in the business of interstate commerce was immaterial, as the agreement proved was not in restraint of trade and did not regulate such commerce.

Considering all these decisions and limitations upon the meaning of interstate commerce, two important propositions are beyond the pale of controversy. First, the Sherman act contains the full measure of the power of Congress under the Constitution to enjoin and punish for entering into and carrying out contracts restrictive of trade, and, secondly, that none of the great monopolies, the subject of interminable newspaper and political comment, such, for instance, as the Standard Oil Company, the American Sugar Refining Company, and a score of others that could be mentioned, can be reached under the terms of that act, or under any act which Congress has constitutional power to enact.

Now what becomes of Mr. Bryan's and Mr. Garfield's license plan? It is evident from what Mr. Bryan says in an article recently appearing in *Public Opinion*, that in order to make it effective additional powers must be exercised by Congress in the form of new and more drastic measures, and that a new definition of monopoly must be interpolated therein. These, we think, are

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shown above to be impossibilities without an amendment of the Constitution. As evidence that Mr. Bryan contemplates the necessity for an extension of congressional interference, and assumes that such corporations as those above mentioned shall be made amenable to license duty and espionage under the new order of things, we quote from his article as follows: "But the Sherman law does not cover the entire field. It only prohibits combinations between separate and distinct corporations or independent concerns. The weakness of the Sherman law lies in the fact that half-a-dozen corporations, if prosecuted under the Sherman law, can evade future prosecutions by selling all of the plants of the various separate corporations to a new corporation and becoming the managers of it. The Steel Trust has done this very thing, and, so far as the Sherman law is concerned, occupies a more favorable position than the corporations engaged in the meat-packing business. The Sherman law needs to be amended so as to make it a criminal offense for one person or a group of persons who attempt to monopolize any product, whether the persons are connected with several separate corporations or are stockholders or directors of a single corporation."

A constitutional amendment might, of course, confer upon Congress greater powers, but as it now stands no such congressional amendment to the Sherman act as Mr. Bryan proposes would stand the ordeal of a review by the Supreme Court. It would doubtless be easier to secure the election of a sufficient number of senators and representatives to institute government ownership of the means of transportation requiring no constitutional amendment than to secure the consent of the requisite number of States to an amendment conferring upon Congress such far-reaching powers over all corporations created by the States, as he suggests. There are, however, some legislative schemes which in-

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volve so much and such complicated legislative machinery and so much and such expensive administration and enforcement as to render them totally impracticable; and the license system appears to be one of them. Another is the proposed fixing of railroads' rates through a commission, the roads remaining in private hands. The futility of such attempt is fully shown in a subsequent chapter. No doubt remains, however, of the constitutionality of an act conferring such power, owing to the public functions performed by the railroads. An extract from the opinion in Kidd *vs.* Pearson (before cited) is as applicable here as in the connection there used: "The demands of such a supervision would require not uniform legislation generally applicable throughout the United States, but a swarm of statutes only locally applicable and utterly inconsistent. A situation more paralyzing to the State governments, and more provocative of conflicts between the General Government and the States, and less likely to have been what the framers of the Constitution intended, it would be difficult to imagine."

The license plan requires consideration of the proportion of capital stock to property values involving a judicial determination of values. Inasmuch as most corporations would be already engaged in interstate commerce, many would have to in some way reduce capital stock, and that could not be done without compulsory rescission of contractual obligations. How could that be done?

No better definition of a contract or combination in restraint of trade than that of the common law has ever been suggested, and a corporation would not come within that definition merely because it possessed large resources nor even because it did a larger percentage of business than all others. There is such a thing as a practical monopoly distinct from a monopoly in the illegal or re-

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strictive sense. A monopoly secured by buying out, or even by rendering unprofitable all competition, and thereby suppressing it, could not, as previously explained, be hindered or interfered with under the common law, nor under any State law in force anywhere, in the absence of a restrictive agreement between the surviving and defunct establishments. And until the power to create corporations is taken away from every State in the Union it is impossible to conceive of any limitation upon the concentration of capital in a single corporation.

One of the main contentions in the Knight case, and one of the main reasons advanced for deciding adversely to the Government, was that, notwithstanding the showing that the American Sugar Refining Company, after the combination, controlled ninety-eight per cent of the production and sale of refined sugar in the United States, yet it did not necessarily follow that it had monopolized that trade, because the field was still open for anyone who wished to enter.

Now a few words with reference to the evil of "stock watering," against which the "license plan" is in part aimed.

As long as one State remains with corporation laws similar to those of New Jersey, Delaware, West Virginia, South Dakota, Nevada (a score could be mentioned) this could happen: Ten men, each in a separate State, having ten million dollars invested in iron and steel production, being all the plants in the country, conclude to incorporate under the laws of (for instance) Delaware, each to take for his plant twenty million dollars of stock, the new company to carry on as one institution the business which had been previously done by the ten men separately. If one can buy another out, why cannot one and five of his neighbors incorporate a company and buy him out? If they may,

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why cannot the ten iron manufacturers of different States form the company and then all sell to the company? And if they might sell to it for cash, why not for stock? And if so, would a government be tolerated which attempted to deprive them of the privilege of agreeing among themselves upon the stock valuation of their respective plants? Really no one is injured by the issue of an amount of stock less or more than any other amount, since no one is under the slightest compulsion to invest a dollar in it. Here we have an illustration of an actual monopoly with its stock half water, as the term is generally understood, with no statute or common-law principle in the way of its buying the raw material of iron and steel manufactures at the lowest cost of production and exacting from the consuming public the utmost penny the commodity will bear. All of what are now known as industrial trusts have been formed and are now operating upon the foregoing plan with unimportant modifications. It is not a pleasant situation, but such it is.

It is the opinion of the writer that there are no dangerous or oppressive industrial monopolies that could not be rendered harmless by absolute governmental control of rates for transportation and modifications of tariff duties; that mere combinations of capital with a view to economy of production and administration would be so far controlled by competition, in the absence of rebates, protective tariffs, and other special privileges, that the monopoly evil in them would soon disappear. The remedial effects of government ownership of railroads are dwelt upon at length in other chapters. Congress should, however, be given sufficient control over State corporations to limit their powers and purposes of organization. The resources of anthracite coal now belong principally to certain railway companies. When the Government takes over the railroads, they and these

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coal properties should not be separated. They should be acquired together. No graver danger, in the way of a capitalistic combination, confronts the people than the possibility of a transfer of the coal and coke supplies to the United States Steel Corporation.

In view of the vague and equivocal utterances of public men and newspapers, it is little wonder that there are a number of popular delusions concerning the industrial monopolies called "trusts." Some otherwise very skilful writers, who are awarded newspaper and magazine space, appear never to have given the legal status of these corporations proper consideration, but to have contented themselves with making out a very bad case against them from a moral and economic standpoint. And yet the legal questions underlying the subject are the most important, and must be understood by the people in order to instruct their representatives, if any adequate remedy, either preventive or repressive, is ever to be provided. So many thousands of columns have been published in newspapers, and so many books have been published, expressive of the popular antagonism and recitative of instances of abuse, that a review of even a small percentage of them is out of the question. In few instances have the writers, though usually non-professional, hesitated to express legal opinions upon the facts presented by them and to condemn the law officers of the Government and the President for failure to act according to such chimney-corner deductions. Specimens of such promulgations are found in recent copies of a leading New York paper. In the first of a series of articles by a talented lady contributor, the evident purpose of which was to keep at high tide the crusade against the Standard Oil Company started in Kansas, she indicts that corporation on several counts, the substance of which is: First, that it enjoys discriminatory rates for railroad services; secondly, that by refusing

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to serve competitors and by various unfair means, including the enjoyment of discriminatory rates, it crushes competition. It must be admitted that facts stated by her establish these two ultimate facts. Then comes the lay-lady's legal opinion. She says: "There is no name but that of conspiracy to be applied to an effort to drive men out of business by illegal rates, by spying, by bribing, and by criminal underselling." And this from ex-Attorney General Monett, of Ohio, in the same issue: "The masses have been educated until every man, woman, and child seems to know that the economic hold-up and the commercial blight the Standard Oil crowd have attempted upon Kansas is not only an outrage, but criminal conduct, and they will not be satisfied with investigating committees and Fabian policies. They want action, criminal and civil, in State and Federal courts, and they know they have justice on their side and have a just quarrel."

The foregoing are specimens of the flood of literature poured out during the last few years, the combined effect of which is to befuddle, delude, and mislead the public on this question. And it is one the far-reaching importance of which cannot be overestimated. Its importance consists in the fact that unless some means to prevent the further concentration of wealth in a few hands, and some form of redress be provided for past results in that direction, the American people will be reduced to a more pitiable economic condition than the common people of Russia, and be ruled more autocratically and cruelly than the Russian people are ruled by the Czar and his ducal court. The mere shell and name of representative government may be retained, because it best serves the purposes and perpetuates the iron rule of our railroad barons and industrial kings; but that is all that may be hoped for if the present tendency be not reversed.

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If Mr. Monett and the other propagandists will have an investigation made of the legal and constitutional aspects of this question they will find: First, that the oft-cited Sherman Anti-Trust Act contains no provision under which any court can afford relief against such entities as the Standard Oil Company; secondly, that that act is the full measure of the power of Congress under the Constitution; and, thirdly, that to restore the industrial liberties of the people of the United States either new powers must be conferred upon Congress by an amendment of the Federal Constitution, followed by an exercise of additional power in the form of new legislation, or the "trusts" must be reached through government ownership of the instruments of interstate commerce and a general withdrawal of special privileges.

The question of boss rule precedes that of monopoly rule. The monopoly stands back of the boss, but the boss must be first gotten rid of. Then the monopoly question should be given next and deepest consideration.

The retention or abandonment of the Philippine Islands may be important as an administrative question; indeed, it may involve a question of imperialism. But that question is not nearly of such immediate importance to the voter as is internal despotism and the rule of commercial graft and extortion, under which the earnings of the people are continuously impounded and their ownership of their property imperiled by ever-increasing exactions to pay interest on loans, no part of which the people ever receive, and dividends on stocks which represent very little, if any, actual investment. If our Philippine policy is wrong, those responsible for it will soon come to see the error and aid in a correction of it. If, as the opposition leaders claim, it amounts to imperialism, there is no danger of its tide ever rising

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higher than the mark attained by the acquisition of those islands.

The coinage question? Fortunately, that distracting issue has been sidetracked by the trend of events. The financial obligations of the common people to each other and to money-lenders who hold mortgage security gave principal importance and acuteness to that question. Famines abroad, good crops, an increased production of the favored metal, and other events, coöperating and contributing to commercial and industrial activity, called prosperity, have enabled most honest debtors to settle with each other and cancel the mortgages. The principal debtors now are the bankers, and, especially since they almost unanimously favored the gold standard, people are content to let them pay in gold. The silver coinage question is not at present claimed by either leading party to be an issue. It may be in the near future when the monopolies have impoverished the people, when a bad crop year comes along, when goods accumulate and prices fall, when the people rush to the banks and the banks to the national treasury, and it is found that the gold reserve is insufficient and that foreign creditors have exported the bank reserves. A question of money for ultimate redemption and of its quality, a question of whether it would not be well to have a hoard of standard silver dollars to fall back on may arise; but that condition troubles but few people at present, nor can anyone be accused of partisanship for discussing it.

Militarism? In view of the fact that it is impossible to obtain naval recruits to fill the places of deserters, and that the War Department cannot by utmost effort keep the army ranks anywhere near up to their full quota, and that a foreign war would have to be an obviously just war, undertaken for a cause which strongly appealed to the sympathies of the masses, in

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order to avoid resort to conscription, who has any just cause to tremble on account of the recent or any contemplated increase in the standing army? A standing army to intimidate labor? The Cossacks may shoot and stab workingmen in the streets of St. Petersburg in order to keep their own heads, but American workmen will have to do much worse things than they have ever done before our soldiery will do violence to them for the protection of stolen, and therefore "vested," capital. And so of other subjects sometimes made to do service in political campaigns, and at other times ignored; they will pale into insignificance or identify themselves with the one great question of breaking up the combinations of men of enormous wealth who now hold in their hands, as firmly as the President holds the veto power or King Edward his scepter, the financial well-doing of all business men, however widely the term be applied, and the means of existence of labor. It is not the present purpose to make political capital for any candidate or party, but to aid in so arousing the people in a common cause against grievous abuses that such cause will fail to become a mere party issue and become an accepted policy with all parties. Then a good result must follow, as day follows night.

Probably three-fourths of the electorate of the United States, and a majority in each State, upon being fully advised and urged to action would act in unison to throw off the incubus which now rests more or less heavily upon all but a few thousand who directly, and to a considerable extent, profit by special privileges. What is needed is a common viewpoint from which, forgetting temporarily individual hobbies, idiosyncrasies, and party ties, fundamental evils can be seen in their true and just proportions. This common standpoint and unison of opinion being found, there cannot long be a difference of opinion with respect to the remedy.

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Several of the best thinkers, speakers, and writers of this country agree that the name which fits and describes the great evil of these times is "monopoly." Particular evils of which various political and industrial organizations complain are harped on by the leaders of such organizations, apparently for no other purpose than to maintain and perpetuate these organizations. One organization exhausts its energies to secure increased wages, shorter hours, and better general conditions for wage-earners. The obstacle and opposing force against which this organization directs its efforts is given by its leaders the name of "capitalism." Now, the cleavage and strife between labor and capital began when monopoly first began to assert itself. Prior to combinations of industrial capital, and prior to the assertion and exercise by preëxisting monopolies of the power to dictate and control wages as a part of the detestable doctrine of extracting from business the utmost possible dollar and to rate labor as a mere commodity, no necessity was seen for brotherhoods and unions as bodies having interests to be protected against capitalistic selfishness. In other words, but for the presence of combinations of capitalists, having the will and power to fix and adhere to wage rates in spite of the opinion and contention of the individual wage-earner, the only mission of the unions and federations would be social interchange. These views are susceptible of considerable elaboration, but it is thought that their soundness will be at once seen and appreciated. The inevitable conclusion is that that which oppresses labor is not capital *per se*, but capitalistic combination; in other words, monopoly. Another organization—this time political—would entirely eliminate capitalism in its individual aspects. Without pretending to either sanction or oppose socialism, it might be well to remind its advocates that monopoly is individualism run mad

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—individualism which has burst its bonds and grown to monstrous proportions. Socialistic teachers profess to see in the growth of monopoly a final triumph of social democracy. But to leave monopoly to consummate its final result with the hope of turning its rule into the rule of the socialist would be as foolish as the policy of the backwoodsman who captured a young bear and turned it over to his two-year-old son for a playmate. Being of about equal strength at first they got along splendidly together. But the bear gained strength faster than the boy, and in the course of time squeezed the life out of him. So it would be with the boy Socialism and the bear Monopoly.

The ordinary politician, seeking office for himself or others, attempts to "take in all the shores at once." So he draws up a platform for protection or low tariff, metallic or paper money, pro- or anti-national bank privileges, for weak or a mandatory railroad rate bill, for immediate or future self-government in the Philippines, etc., according to party name. These are all ointments, far different from what is needed for a deep-rooted sore. None of them will give any permanent relief. Whether any of them will even afford surcease is a debatable question, a question so doubtful that the voters divide almost equally as to their relative expediency. But what the people are about to demand is a surgical operation. It may be painful, but it is not dangerous, nor are its beneficial results in doubt.

The sore must be removed. The cause of official corruption, the obstacle to just laws, the menace to liberty, having been gotten rid of, the lesser evils may be studied and remedied by honest patriotic motives, uninfluenced by bribes in the various forms in which they are offered. All must agree that with the Federal Government operating interstate railroads, the States operating local railways, and municipalities furnishing

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the various forms of public service in cities, a better class of men will seek and obtain public office. Then official places will be considered honorable and will not place the incumbent under that grave suspicion which now causes most self-respecting men to shrink from political office, leaving the field open to self-serving tools of the bosses.

Somehow the politicians and newspapers make us believe that business is in a prosperous condition and that general prosperity prevails. To learn the real status of business under the rule of monopoly one should study the experiences of those who have been forced out of business in anticipation of pressure being applied, have sold out and sought other profitable investments. One such finds himself against a steel fence, no matter which way he turns. He can do no business except by leave of some colossal interest in control of certain brands of goods in which he must deal, or not deal at all. He can no more fix his own margin of profit than he can the amount of license tax or other taxes which he must pay. If he investigates with a mind to starting up some small manufacturing plant, he finds that individual industries are no more. A man of small capital is crowded out, and there is nothing left for him but to become a cog in some great wheel. He may put his money in the stock of a trust, but he then has before him the almost certain prospect of sooner or later being frozen out by the big stockholders and left dependent upon the wages which the final owners choose to give, and those wages subject to continual nice calculations as to how small a ration will sustain a man in working order. Not only the oil and gas one burns, but the meat and milk he buys, the flour he bakes, the hats, shoes, and clothing he wears, everything he touches, tastes, and handles are controlled by trusts, aided by discriminating freight tariffs. While there may be

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great margins of profit in their manufacture by the trust, there is none for the individual embarking in their production. On but few articles has the retail merchant been left the liberty to fix the selling price. Let one go into any store and investigate for himself. If he inquires how they are selling this, that, and any other article, he usually finds the retailer tied up by an iron-clad agreement to sell such and such goods, and at such and such prices; and the penalty for a violation of the contract is that the trust will deprive him of the right to handle its line of goods at any price. How long before merchants will be deprived of the privilege of handling trust-made goods on any terms? Probably the time is soon to come when the "Beef Trust" will establish its own commodious meat shop and fruit store in each city and town. The Standard Oil Company already has its own warehouses and delivery wagons in some localities. The American Tobacco Company has already aggressively taken much of the retail trade away from its former patrons. How long before the other trusts will follow the example of these colossal monopolies?

Instead of addressing themselves to true conditions our partisan leaders dwell upon commercial prosperity, which means no more under present conditions than the success of vast conspiracies against common weal, the triumph of greed and avarice. Liberty is not safe in a country whose loudest boast is of that kind of prosperity. There can be no honest party whose leaders are controlled by those who owe allegiance to no standard unless it bear the stamp of the dollar mark.

Just imagine, if you can, the people of the colonies submitting to such a political and industrial despotism as now holds with an iron grip the destinies of their descendants. Even half a century later, in the days of Andrew Jackson, the people would have endured only

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until they could get to the polls. What we need most is a few thousands more of voters in each State with the courage of their convictions, who will turn a deaf ear to the appeals of partisanship, defy those who call them soreheads, socialists, or traitors to "the organization," and vote only for candidates who favor essential reforms. The real enemy of the voter is not the opposition party, but non-partisan conspiracies between his own party's bosses and the monopolists. The way to beat them is to form one grand non-partisan combination of voters whose bond of union is a common understanding that no monopoly or "trust" shall exist in this country except in the hands of the Government. By the same act that frees them from monopoly they free themselves from the bosses. A firm resolve by the majority, and the thing is done. Of course there are those who will say the undertaking is too stupendous, that the combinations of capital and influence against them are too powerful, and political parties control the Government. If the voters do not take hold of the parties and shape them to their will, whom can they blame if not themselves?

Men are prone, in political as in some other affairs, to take too many things for granted. When Russia, taking advantage of the weakness of China, occupied Manchuria and invaded Corea, thereby defeating the "open-door" policy, the other nations stood aghast, assuming that no nation was able, single-handed, to successfully resist with arms the mighty armies of so great a nation, and that either submission to defeat of the policy of an open door to China or universal war was the only alternative. But the Japanese, a people occupying an island no larger than an average American State, taking nothing for granted, grappled heroically with this Colossus of the North, and the whole world knows the result. There is a lesson in this that applies

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directly to our economic industrial and political problems. It is folly to assume that the people approve organized monopoly, organized graft, organized greed. And as for the bosses, they are the representatives of these same monopolists who persistently din the doctrine of hopelessness into our ears.

The difficulties in the way of getting rid of the combinations that have been formed in the past few years to exploit the public and control the fiscal affairs of the Republic are more imaginary than real. The factors that have united to form them are held together by the lust for spoil. In the case of any other criminal league a well-directed police raid is all that is required to compel its dispersion. And so with corrupt party machines, by which is meant all so-called party organizations under control of bosses, these can be easily reached and converted into agencies for the destruction of monopoly rule and the introduction of an era of government ownership of every enterprise which, whether in private hands or in the hands of the Government, can be used to tax the general public in the form of freights, fares, and rates.

Let us in the movement for emancipation not forget the most oppressive of all trusts, the one which reaches into every city, town, hamlet, and district, and absorbs "all the traffic will bear"—the steam railroads. Three-fourths of the people favor public ownership. Have they the courage to demand it and vote for it? Nothing restrains them but a fear of disfavor with party leaders. But party leaders will be found unwilling to oppose a widespread sentiment in favor of government ownership, and a few unequivocal manifestations of such sentiment will force them to that side—or into retirement.

And the voter should ever remember the foolishness of recognizing the unconditional continuity of partisan

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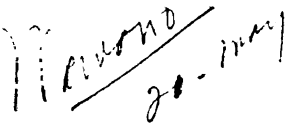
allegiance. Let the voter adopt, to a limited extent, the tactics of the boss. If a party is going his way, he should get aboard and ride, as in the case of a street car. But suppose it is going the other way. Would he not be a fool to ride in it, even though he paid no fare?



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CHAPTER II

PARTNERSHIP BETWEEN PARTY BOSSISM AND MONOPOLY

"A partial truth, universally applied, as this of self-interest has been, is a universal error. Everything goes to defeat. Highways are used to prevent travel and traffic. Ownership of the means of production is sought in order to shut down production, and the means of plenty made famine. All follow self-interest to find that, though they have created marvelous wealth it is not theirs. 'We pledge our lives, our fortunes, and our sacred honor' to establish the rule of the majority, and end by finding that the minority—a minority in morals, money, and men—are our masters whichever way we turn."—WILLIAM DEMAREST LLOYD.

OPTIMISM is popular. It has become one of the fads of a perverted and degenerating democracy to ridicule and shame to silence and patient submission those who would disapprove present political conditions and tendencies. Even an honest temperate statement of abuses and suggestion of dangers is likely to excite ridicule and call for the application of opprobrious epithets. But the people should welcome the advent at this juncture of all such intelligent, persistent advocates of reform as President Roosevelt, Bryan, La Follette, Hearst, Dunne, and Folk. However grewsome the tasks they have severally set for themselves their utterances are well calculated to arouse men to thought and action, just what is most needed; and the experiences of their audiences and readers are confirmations of their teachings. It is encouraging to know that while the seats of financial empire are filled by the beneficiaries of monopoly, their titles to those seats are being contested and disputed, and that the dishonest methods

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by which occupancy was gained are being constantly exposed.

It is not likely that the people will much longer delay action whether Mr. Roosevelt takes the lead in any genuine reform or not. In view of the little use he has been able to make of his power for the betterment of conditions, the people may have to select other leaders in the great work cut out for them by the trusts, railroads, and party bosses. They will apply radical treatment, lay siege at once to the main fortress of special privilege, which is private ownership of the means of interstate commerce, giving the fair and just compensation mentioned in the Constitution, first, however, making such amendments to the Constitution as will render this great change effectual and permanent. Not that the Constitution stands in the way of accomplishing government ownership. It stands in the way, however, of a Senate elective by popular vote, which is one of the reforms necessary to the continuous exercise of the powers granted to Congress by the present Constitution.

It is often asserted that notwithstanding the taint given our political system by boss and monopoly rule, still ours is, in the main a government of laws, not of men. That is in a great measure true, where the interests of the rich and powerful do not come in conflict with those of the common people. Most of the great corporations violate the laws habitually, and such habitual practices are so interwoven with the legitimate rules which they formulate for the transaction of business, that it is difficult to distinguish the one from the other. The people have become so accustomed to the difference in treatment awarded to poor and rich malefactors that they give the subject but little thought until some circumstance accentuates the difference.

The public service corporation, through its special

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agents, or through its regular intermediary, the party boss, bribes the legislative bodies of a city, year after year, as fast as they are elected, thereby robbing the electorate of millions of dollars. Rarely does a conviction, or even a formal accusation, overtake either the bribe-giver or the bribed. But see what happens to a subordinate in some department who embezzles a few hundred dollars. If a starving tramp holds up a citizen on a dark night and secures by menace and duress a few dollars or a watch and is caught, he is sure of a long term in State prison,—and in addition must endure a lecture from the court pronouncing the sentence. But the railway traffic manager grants enough in rebates to a large shipper to ruin his weak competitors, a crime whose heinousness is not measured by any statutes; he does this in hundreds and thousands of instances and on an elaborate scale. And so far from going to prison or even paying a fine, he is promoted to the head of one of the great departments of the Federal Government. And when he gets into office, he practices the same policy by awarding all contracts for armor plate to a trust over an independent producer of a better article at a lower price. And all this because of the overmastering influence of boss and monopoly rule over executives as well as over those whose duty it is to enforce the penal provisions of the interstate commerce laws. And when the public clamor for his removal becomes uncomfortably insistent, he is unloaded through Wall Street influences and a *bold and strenuously worded* presidential indorsement into a $50,000 a year job. And the Equitable policy holders are saying: "Paul, Paul, why persecutest thou us!" And another railroad official, this time a president, is appointed to the head of the Panama Canal Commission at a salary greater than that of the Chief Justice of the Supreme Court, retaining his railroad

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job, and through the same influence maintains high rates on the Panama railway, belonging to the Government, for the avowed purpose of preserving the benefits of monopoly to transcontinental railways. And, despite any law to the contrary, rates are fixed so as to extract from shippers all the traffic will bear; for instance, if the profits on a carload after paying a reasonable rate would be $500, a rate is charged which robs the shipper of $400 of his profits over and above the reasonable rate, by using the monopoly weapon. The men who do this are rated "respectable citizens"; but if a striker assaults a scab who is trying to steal his job, he is fined and sent to prison. If a collector for a gas company should collect $10 and return but $5, he would be prosecuted for stealing and permanently disgraced; but if the superintendent of the same company falsifies bills and rigs up meters, whereby they give false measurements and swindle consumers, a party boss stays the hand of justice and the superintendent continues to be an important financial figure and a social ornament. Millionaires conspire to work prices up and down on exchanges and rob the public of enough money to finance a kingdom, and are accorded large space in newspapers for the expression of their indignation against gamblers and other vicious classes. Then they use part of the ill-gotten gains to bribe a municipal council or a State legislature or Congress to grant them valuable special privileges.

Some of the newspapers and periodicals are open advocates and others are apologists for monopolies. This is a time when free and full speech is much needed. Look at the condition of Russia, where such a thing as an independent press is unknown, and then reflect that ours will soon be no better unless present tendencies are reversed.

Already we are to a great extent a people struggling

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in the dark. Most of us do not know to-day what is going on in our legislative halls or executive departments. Men go into office poor, at the dictation of a party machine, and in a few years retire into the presidency of a bank or trust without the source of their prosperity ever being learned or even put in issue.

The whole nation was recently amazed and enraged at the disclosures of two of the officials of the great insurance companies with reference to the misuse of trust funds for political and other corrupt purposes. It was so well understood that the Democratic National Committee, as constituted in the campaign of 1904, was not averse to receiving aid from the same sources from which the Republican campaign fund was drawn that no attempt was made by any Democratic organ to make political capital out of the disclosures thus made under oath before a legislative committee. But all or nearly all both of press and people appeared to lose sight of the conditions which brought about the practice, the real cankerworm that is eating at the core of the Government. These corporate officers have been permitted by a too credulous people to take charge of the machinery of government, both National and State, and to build up a system of special laws at war with that common right which was the cornerstone of liberty in England from time immemorial. Government in this country within the last fifty years has had a new foundation laid and a new superstructure erected thereon. Originally the test of legislation was the equality of its benefits and burdens; that is to say, the question was one of public justice. But now the test is its effect upon accumulated wealth and its bearing upon the interests of the financiers of the Morgan, Rockefeller, Ryan, and Harriman class.

It was brought out at the same investigation that hundreds of thousands of dollars were quietly and se-

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cretly transferred from the vaults of the great insurance companies to certain counsel in charge of the legislative interests of these companies, otherwise known as professional lobbyists. No satisfactory account could be given of the disposition finally made of these funds. Of course it would help the matter but little if the legislative results of these corrupt appropriations could be shown to have been beneficial to policy holders. But as a matter of fact no legislation has been passed or sought at Albany, or elsewhere, of that kind, but rather such changes in the law as dispensed with annual reports in detail of expenditures and use of funds—just such changes as permitted these misappropriations to be made and concealed.

The daily papers during the investigation designated the testimony as sensational; and they in fact did cause a number of midnight conferences in places of very high official authority and were responsible for considerable loss of sleep by persons in very comfortable circumstances. But these revelations are merely the coming to the surface, as a result of skillful stirring and probing, of a tithe of the vast strata of corruption that every thoughtful and observant person knows is concealed at the bottom of "high" finance and partisan ring rule. If those in control of the insurance companies can shape to their will insurance legislation, those in control of the national banks and of other great aggregations of money and securities can, and of course do, control financial legislation, and those in control of the great "trusts," built up and fostered by discriminating tariffs, can and do, of course, control tariff legislation. All these bespeak governments, National and State, that are rotten to the core, a much more serious matter than the mere fact that upon a particular occasion certain men used to corrupt the electorate of the nation a certain large sum of trust

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money. The real grievance is that public justice is so rare and the souls of lawmakers and others in high station are so cheap.

Henceforth the political dividing line should be drawn between those who favor perpetuating present conditions and tendencies to their inevitable results, and those standing for an effective remedy. The terms Republican and Democrat will not hereafter necessarily mean anything. The opposing forces will be more properly designated as conservatives and radicals, the one opposing all reforms and favoring a drift to the inevitable fruits of progressive monopoly, the other waging incessant war for emancipation.

What all leaders seeking the great reform to be accomplished through government ownership should strive to do is to induce their fellow workers for the same end to drop for a time minor reforms which will naturally come with that, or be much easier to consummate after that is attained. As the Chicago *Public* well says: "No real battle between public rights and special privileges ever comes on in simple or unmistakable form. The crucial question is always so complicated with other issues as to bewilder men of the best intentions and good judgment who happen to be interested on the right side of those other issues. It is upon bewilderments like these that conscious advocates of privilege depend for dividing the forces of their enemy when such a division becomes vital to them."

Those who oppose granting powers to Congress necessary to enable it to curb and control monopoly and eradicate trust evils, and electing senators by direct vote, so as to secure a congress willing to take proper action, are of two classes: (1) The direct representatives of monopoly interests inside and outside Congress, Cabinet, and Judiciary; and (2) those well-meaning but misguided publicists who carry the doctrine of

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States' rights to an absurd and illogical extent, and others who, being actuated by the most selfish and unpatriotic motives, also appeal to the remaining popular prejudice against an invasion of the power reserved to the States. That governmental powers should be mainly retained by the States no one can deny; but it must not be forgotten that certain important powers were by the Constitution given to the central Government, because they could not be beneficially exercised except by the latter, and in some instances from their very nature could not be exercised by the States at all. There is in the Constitution no prohibition against the transfer of still further powers from the States to the Federal Government, but rather a very explicit recognition of the possibility that unforeseen circumstances and conditions might arise rendering such transfer proper and necessary. This is seen in the provisions providing a method of amendment. So it is seen that the legislative powers of the States are no more sacred, in the sense of being fixed and unalterable, than is the will of the people at any particular era.

The promotion of wealth to the seat of power, and the dominance of that debasing instinct which man holds in common with the hog, the instinct to suppress all sentiment, stifle all appeals for justice and mercy, in short, to barter away liberty, life, and all virtue for selfish gain, was not foreseen by the framers of the Constitution. Mr. Frank P. Adams, in *Tom Watson's Magazine*, of recent date, says: "We of to-day are caught in the trap set for those who lived more than a hundred years ago. Not until after the nation had been plunged into a civil war between two factions—each of which claimed strict allegiance to the Constitution—did conditions arise which afforded a fair test of the restrictive features of that document. So long as the wealth of the nation was so distributed as to

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prevent the formation of conspiracies in its behalf, the masses were able to conserve their rights, despite all of the checks and restrictions in the Constitution. It was this fairly maintained state of equilibrium which half a century ago gave rise to the worship of our system of government. When the first unscrupulous man found himself in possession of millions of dollars the Constitution became not his master but his tool.

While there is nothing sacred or in its nature fixed and unchangeable in State power, neither is there anything alarming in the transfer of more power to the Federal Government, for the purposes of controlling monopoly. Let us suppose, as we may well anticipate, such changes as will make the Senate truly representative and responsive to the will of the people. Then it would not be true either in fact or theory that the people who stand back of both State and Federal Government have lost any power by such transfer. They have really acquired new power. What power they have lost as citizens of States, which they had previously exercised lamely and ineffectively through State organs of legislation, they now vigorously and effectively would exercise through their representatives in Congress, and the Executive.

It is a deplorable fact that the best intellect of the country is, as a rule, in the employ of the monopolies, and opposed to any and all reforms. With the same infinite skill, power, and tact that one of them would select, impanel, watch, and appeal to a jury, these mental Ajaxes shape party platforms, rig conventions, dictate candidates, and censor the speeches and documents to be used in carrying on campaigns.

It is a discouraging fact to those who expect any genuine reform under the *régime* of party and majority-spoils party influence, that when a party succeeds in electing its candidates, the leaders conclude that the

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Government, its revenues, and possessions belong to their party rather than still belonging to the people at large. It is a matter which all who observe closely have learned, and which anyone can learn for himself, that often, when one has been elected to office, whether as a United States Senator or to a lower grade, under the present monopoly-boss system, his actions if not his words imply that he considers the office to which he has been elected a personal thing of value, allotted to him by his party in return for party aid. This aid may consist either of service, or money, or both. He feels under only slight, if any, obligation to the general community. At any rate, he takes the mandates which issue from the inner councils of his own party as the full measure of official duty, never stopping to investigate as to the motives behind such mandates, and often being well aware that they are not only unpatriotic but positively corrupt, and the measures proposed inimical to the interests of the people of his State. Beyond obedience to partisan dictation, he considers the office as his own private perquisite, and so uses it. If he be a lawyer, and the fact that he holds the office constitutes a special recommendation to some financial power for his employment as its silent attorney, he looks upon the retainer as one of the perquisites of the office belonging to himself, and thereafter feels about as free to vote against his employer's interest as a juror would if called upon to return a verdict against his bosom friend in a debatable case. Although he may be a skinflint and a cheeseparer with respect to his own property, he will not hesitate to vote away public money upon legislative schemes of doubtful honesty, and sometimes of obvious impropriety. Look at the junketing trips planned during each session to enable large committees to make long midsummer journeys, ostensibly to investigate some subject of governmental

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importance, but really to give Cabinet officers, representatives, and senators and their families extravagant vacation outings at the people's expense. For instance, the session which closed March 4, 1905, provided for the following junkets: A trip by the Committee on Rivers and Harbors to the West Indies, on a government transport; entertainment of a party of Congressmen and senators in Cuban waters by Secretary of the Navy Morton; an excursion, not by congressional authority, but by what has been fittingly termed "Executive usurpation," of department officials, senators, and representatives, in charge of Secretary of War Taft, to the Philippines and other Oriental countries; a party of five carloads across the continent to Portland, Ore., to attend the opening of the Lewis and Clarke exposition, costing the Government many thousands of dollars. Just imagine, if you can, such things permitted during the administration of Washington, Jefferson, Jackson, or Lincoln.

The United States Senate may convene and adjourn, its members may speak to empty seats, prayer may be offered by the chaplain, and the record publicly made at preceding sessions may be revised—all this may be done without consulting the party boss of the majority side. But no decisive vote can be taken on any measure affecting directly or indirectly any important Wall Street interest until he has *viséed* it, and it has been passed upon by certain corporate directorates represented by him. There every measure affecting any important business interest of the country is considered, and orders given by the boss to his party following in the Senate. They are satisfied with being considered "good organization" men. It is not often that a senator kicks over the traces and votes against the mandate of "the organization." Nor is this condition confined to the Republican side. There usually is a Demo-

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cratic senatorial representative of beneficiaries of special legislation controlling in the same way a small coterie of Democratic senators, and voting them on the monopoly side in support of "sane and safe" policies.

The press does much to keep before the public the shortcomings and misdeeds of bosses and party leaders under the cloak of party organization; but the beneficial effect of it all as an influence to awaken attention and direct effort to reform abuses is to a large extent nullified by the large amount of space allotted to sketches of personal interviews with them, and small talk as to their every movement, incomings, and outgoings. The boss is thus afforded several arguments, very convincing to an unscrupulous man, to persist in his course. He sees himself the observed of all observers, feels his vanity fed to repletion, his wrongdoing condoned and attributed to a spirit of zeal for party, by that very community whose interests he has betrayed and whose laws he has violated. After a period in which Boss Jobbs has been advertised as going with his family to a summer resort, including a pen picture of happy domestic life, a hint of his secret charities, and a reference to instances of his fidelity to friends, the same paper comes out with startling headlines attributing to him a design to put up a slate of his political chattels for public office, and through them give away valuable franchises or otherwise sacrifice public interests.

Is it any wonder that so little attention is paid to the "grand *exposé*"? Readers remember some of the good things the paper has been saying about Jobbs, and incline to discredit the attack, and to suspect that it is inspired by rival factions, or that it is merely a space-filling and circulation-increasing scheme. The thoughtful element so regard it, and the large indifferent and listless element give it no thought, and the only

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net result is to advertise Jobbs and give him increased prestige and influence among his own partisans.

During a national campaign the trust financiers, while pretending to be simply attending to their private affairs, usually find time enough to give stanch support to the party whose candidates promise to be the most subservient and whose policies are most favorable to their interests. In local politics they are with the dominant party, if the latter gives them "a square deal"—that is to say, allows them to fix the sum of taxes they pay, grants them all the public franchises they seek, and a free hand in robbing the people as public service corporations. If the dominant local boss and his party become refractory and at any time refuse to grant the principal demands of the monopolists, the latter threaten to finance the opposition boss and his party, and install them in power. And the monopolists are usually able to do this by reason of the presence of many purchasable votes, the ability to provide a large corruption fund, and the disorganized condition and partisan prejudices of honest voters.

It may thus happen that a minority party may go into power occasionally, but it is only for one term. The loss incident to loss of control is in the form of boodle, a great financial loss to the boss of the dominant party and his subordinates, not to mention the offices, patronage, and petty graft. In such instances it has cost the monopolists a great deal more to put in power the minority boss than to have acquiesced in the usual order. So that when the next municipal campaign comes around the combination between the monopolists and the majority boss is apt to be more far-reaching with reference to the exploitation of the public than ever before. The monopolists will wish to recoup the great cost of putting in power the minority boss at the preceding election, and the majority boss will wish to recoup

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the still greater losses of being out of power. The boss and the corporation lawyer and multiples of them constitute what is popularly designated as the political party locally and nationally. Committeemen and candidates are mere pawns in the game. Their conscientious convictions and honest opinions, when they have any, count for nothing where the corporation is or may become financially interested; and the corporation is always interested in politics. Of course there are many subjects of legislation in which they have no direct interest. These afford opportunities for posing in the name and in the ostensible interest of the *dear people*. Here, the official tool, whether in an executive, judicial, or legislative office, is a free agent, if one who has sold himself to such masters and stultified himself before God and man can be free in any true sense.

Look about you, whether you reside in Philadelphia, New York, or San Francisco, or in a rural community, and if you are not a political boss, great or small, or a corporation servant, or in some way one of a small coterie in charge of a political machine, then say how much your influence counts in the organization and direction of a political campaign, local, State, or national. Let us suppose you are a young man ambitious to win place and fame in politics. Let's see what you will do and what will happen to you. You consult your friends first. If they are wise they will dissuade you. But usually they are not; so they will encourage and pledge their support. If you are well posted you may know that their pledges are worthless unless you "make good" with the boss and his silent partner, the corporation lawyer. If you neglect to make known your ambition to the boss, either in person or through some one "standing in" with him, your candidacy will amount to no more than the gentlest zephyr. It will vanish and leave no vacancy. The convention, the

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aggregation of patriots who have hired themselves to become delegates for some cheap bribe, such as a railroad pass, will simply ignore your candidacy.

But we will suppose you have seen the boss and he has "looked you over," and he and the silent partner have held an executive session on "the slate." Then just two matters, and no more, are considered with reference to your candidacy. First, your availability; that is, your vote-getting capacity as compared to that of others wanting the nomination; and, secondly, your utility as a corporation tool after election. You need have no fear of your tender sensibilities being shocked. The smooth boss—outwardly a gentleman—will say to you, "Charley, it is well that we understand each other now, because we will wish to remain good friends. I recognize you as a young man of talent and you have a bright future if you will only act with gumption. You will if elected be expected to act conservatively and not be cranky. The country is full of reformers, not one of whom nor any number together could ever obtain a nomination for you, or give you a hundred votes after your nomination. They will assail you with importunities, resolutions, and petitions for this and that and the other thing in the cause of morality, and for this, that, and the other form of interference with the business of private corporations. Now the corporations only want a square deal, and you must not, at the proper time, refuse to give it to them. If you will act reasonably and stand by me and the organization in this matter we will stand by you and among us all you will be taken care of and well provided for." If you are an alert and heroic young man you will understand all this. You will avoid even the appearance of evil and refuse the nomination linked up with such a pledge. The chances are about ten to one that you will yield and promise.

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If you assert your manhood, and refuse to be tied up even thus vaguely, the chances are ten to one you will lose the nomination. Sometimes, however, the boss, who is not a scoundrel from choice but from "enlightened self-interest," puts a few good men on the ticket for a variety of reasons.

It has often been said that, at any rate, the masses are honest, and that when they have been educated up to it they will see that wrongs are righted. That would be true were it not for the curse of party rule. Not even the delusion that there is some such relation as membership in a party, and that members are under moral obligations to vote a certain party ticket, would be fatal to reform were it not for corporation-boss rule which has become universal during the last few decades, spreading itself over the body politic as the leprosy spreads over the body of its victim.

Another difficulty in the way of progress toward the solution of the economic and political problems of our times is the literal sense in which many are prone to accept the teachings of great men of other times. For instance, Jefferson said many things which, if his environment, and the conditions of society at the time he wrote be not considered, may be quoted against interference on the part of the Government with the alien powers which have sprung up from the same soil with liberty and grown until the very existence of liberty is endangered. He was opposed to legislation that unnecessarily restrained individual action, and although there were no monopolies of which the people complained, yet he foresaw such grave possibilities in their future existence that he very reluctantly consented to the granting of patents for inventions. So much did he fear the establishment of the principle of monopoly in the granting of patents that he insisted upon strict limitations. While Jefferson was opposed

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to hampering the individual with respect to legitimate enterprises, yet he clearly showed that one man's right ended where another's began; and it would be difficult to conceive of his upholding the right of men to form and maintain combinations destructive of common right. There were no railroads in his day, but if he lived to-day does anyone believe he would deny to government the power to do all that is necessary to prevent the impoverishment and ruin of millions of people in order that a few may accumulate colossal wealth through high rates, rebates, and discriminations? While he opposed paternalism, he never said anything to indicate that the people might not give sufficient strength to their government to suppress any power, whether internal or external, which threatened their liberties and welfare.

Jefferson was a conservative, but not an ultra-conservative. Conservatism! How many civic sins of omission have been committed in thy name! As a word having a broad significance, it often is made to serve the purposes alike of the demagogue and obstructionist. There is a conservatism which turns to profitable account the truths established in the schools of experience, and another conservatism which accepts all the dogmas of general acceptance and practice, whether grounded upon truth or error. To the latter character of conservatism, only the following description is intended to be applicable.

Your conservative is a stickler for the observance, without change, of such laws, written and unwritten, as were in force when he first began the study of laws from the standpoint of citizenship, even if, for the want of change, evils have sprung up and grown until such laws are neutralized; he dotes upon orderly procedure and stagnation; his speech is that of the temporizer and apologist; he decries optimism and progressive

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ideas as fads and dangerous delusions. Hoping for no improvement, desiring no change, he suggests nothing for the voter to do except to ascertain what are existing conditions, and conform himself and his conduct thereto without inquiring whether they are the best possible, but only whether they had the approval of some one of recognized authority at a former period. If such conservatives as some of those recently prominent in political life in the United States could have their way, not only would there be a continuous augmentation of wealth in the hands of the monopolists who now hold the Government by the throat and a corresponding progressive impoverishment of the people, but our political literature would cease to be worth reading, because it would consist of a mere recital of past achievements and a labored attempt to fit worn-out and antiquated theories to changed conditions. The main trouble with such men is that they lack originality of political thought, and don't understand the true theory of democratic government. They do not see that that which breeds abnormal prosperity for those with whom they come in contact also breeds abnormal poverty and distress among those whom they never meet. Existing conditions profit them and their associates; therefore they are the best for all. Their thoughts and conversation all refer to the strength and beauty of the *status quo;* beyond that they make no inquiry. According to their view an income tax would be a wicked innovation, the curtailment of the privileges now enjoyed by monopoly an inexcusable interference by the Government with the rights of property; and government ownership is looked upon by them as an upturning of the foundations of representative government—rank revolution. They refuse support to any measure calculated to relieve the existing situation, because they refuse to see in that situation any cause for

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alarm. Of course they cannot see it, because they travel through life in parlor cars, as it were, looking out with utter indifference upon the multitude. So long as all is cheerful and prosperous inside, they cannot comprehend how it possibly could be any different outside. The conservative is forever quaking lest some precedent be overthrown. He is trained to glide in precedent-worn grooves; his timid soul shrinks from change as a ground hog or a night bird from the sunlight. Seeing all virtue in things as they are, any suggestion for a change is radicalism, which he despises because the antithesis of conservatism. He is afraid to follow conscience lest it lead away from the beaten track of precedent; and he would not follow the radical though the latter showed him a new route to his destination which was miles and miles shorter than the old way. His reasoning proceeds not from premise to conclusion, but along a line of precedents from antiquity to the present; therefore the future. That only is to him a common-sense view which has been the customary view of his predecessors; and if he cannot find a precedent he conforms his conclusion as nearly as possible to some analogous time-worn theory, however disastrous it may be shown to have been when practically tested.

But the intelligent, reasonable, and reasoning radical is the man who digs up the truth from beneath the burdened sod of precedent and prejudice. He is the real benefactor of his race, who makes history, and is remembered for having left the world better than he found it. Moses was a radical, so were Patrick Henry and Abraham Lincoln. All these were ready to approve and follow a precedent based upon reason, but each was ready to stand against the whole world of precedent-incrusted error. Each had the courage of his convictions, and yet not one of them was obstinate and bigoted, like, for instance, a "conservative editor" or a

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present-day senator. Though our ancestors may have done a thing the same way a thousand times, when we once discover that their way was wrong, it is our duty and privilege to correct the mistake and do it the right way. Conservatism, in the obnoxious sense, and its twin brother, selfishness, have kept the people of this nation out of their own for a long time, but will not be able to do so much longer. Such conservatism is the dry rot of civilization.

There are two classes of conservatives, the honest but obstinate, and the dishonest. The obstinate conservative believes in maintaining the present status even in the face of obvious evils inherent in present conditions. He maintains a do-nothing attitude against all suggestions for reform while admitting the existence of great evils. While he prides himself on his obstinacy, which he calls steadfastness and consistency, he is in reality a timeserver. He prefers to endure present evils to risking a change, as to which he distrusts his own judgment as well as that of other persons. And when conditions become much worse under the system he adheres to, then he assigns the evil attending such conditions to some other cause than the true one. He does this for the sake of consistency and to avoid the trouble of investigating for himself.

The dishonest conservative does not permit thought to enter into the foundations of his opinion at all. He is receiving a profit, or enjoys an unfair advantage under and from the effect of existing laws and conditions, and self-interest being his only rule of action arguments on any other line all go wide of their destination.

The term conservative is euphonious and seductive. It suggests at once a lover of repose and regularity. Your conservative is never disturbed by any danger of a social or industrial upheaval, however imminent or

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convincingly disclosed. He is a man of many words of little meaning. He discusses all public questions from a counting-house or stock-market standpoint. For instance, Judge Grosscup, who, presiding in the Federal Court at Chicago, granted injunctions against the beef-packing conspirators and then failed to enforce them, delivers a lecture on the thrilling and exalting subject of "trust financing." He accepts the present financial and industrial status as final and satisfactory, and merely seeks the removal of certain difficulties in the way of investors in trust stocks. And his visual point is about as high as is ever reached by the conservative type of publicists. The interests of those who toil and those who pay monopoly prices are beneath his political horizon. He holds a life job; he is upon good terms socially with the financiers; he believes, too, in maintaining order at any cost, as is evidenced by his issuance of injunctions in 1894 to restrain free speech. In short, he is a conservative.

The tendency during three decades has been to the establishment in practice here of the absolute rule of plutocracy, from which our ancestors sought to escape; and from which some people still delude themselves with the belief that we are still exempt.

It is a false doctrine that men of superior intelligence, strength, and wealth may honestly form whatever combinations they please, and with or without secret arrangements with other combinations or individuals; by manipulation of rates for transportation and of markets; by reducing the wages of labor; by artificially maintaining high prices; by selecting those who shall falsely pretend to represent the people in office, appropriate all of the profits of business which would otherwise remain for general appropriation and division. The opposite doctrine, that it is the duty of government to legislate according to the spirit of the

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maxim *salus populi est suprema lex* (the safety of the people is the supreme law), is not new; it is not socialistic. It lies at the foundation of democracy. It is Jeffersonian, notwithstanding the conflicting interpretations placed upon the teachings of that philosopher and statesman according to the interest and viewpoint of those who pretend to be true democrats. Nor is any law which would preserve the masses from trust oppression, from destitution and serfdom, open to the objection that it centralizes too much power in the Federal Government. Centralization is a term which has no place in this discussion. The centralization of which the people of the States have complained, and to which they will continue to object, is *unconstitutional* and *unnecessary* assumption by the Federal authorities of State sovereignty. But the objection cannot be urged, either by the production of anything Jefferson ever said or implied, or upon any true principle or theory of our system, against the exercise of Federal authority pursuant to adequate legislation for the suppression of evils with which the States lack, constitutionally, or in the nature of things, the power to cope.

A proper conception of true democracy does not imply a government in which are enacted only criminal statutes and statutes for the protection of the possessors of wealth. It implies the enactment of all such laws as are necessary to protect the many weak and lame in the race of life from conspiracies by the cunning, avaricious, and dishonest few. It does not imply unlimited freedom of the individual in the accumulation of wealth any more than in his physical conduct toward fellow members of society. Indeed, there is no limit to the duty of government to prevent wrong, no matter in what form the wrong is shown to exist. Nor is there in the exercise of such power, to the full limit, anything inconsistent with representative government.

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One of the stock arguments against the provision and enforcement of any effective remedy against the rapacious exploitations by monopoly is that of "cheapness." It is expressed in various forms of speech, but usually is presented in the form of a scale of comparative prices—a comparison of charges for merchandise or transportation at the present and at some previous date. We might well reply to all this with the questions asked by Mr. Lloyd in an able refutation of the same claims of the monopolists: "Shall we buy cheap of Captain Kidd and shut our ears to the agony that rustles in his silks? Shall we believe that Captain Kidd, who kills commerce by the act which enables him to sell at half price, is a cheapener? Shall we preach and practice doctrines which make the black flag the emblem of success on the high seas of human interchange of service, and complain when we see mankind's argosies of hope and plenty shrink into private hoards of treasure, buried in selfish sands to be lost forever, even to cupidity?"

The relation assumed by governments in the United States to public service corporations of guarantors of profits (dividends) or even of their solvency (income sufficient to meet expenses and interest on indebtedness) is abnormal and anomalous. Its recognition and assumption as a policy or obligation is of itself the granting of a special privilege, the extent and ultimate effect of which can scarcely be calculated. If persisted in, there can be but one result, the absorption by the never-dying entities which own these privileges of the corpus of all property, leaving the great mass of mortal men in a state of vassalage and dependence. But the courts have firmly established that policy and obligation and the only alternative is government ownership.

Another stock argument is an appeal to the masses to respect "vested rights." Now that is a relative term.

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It is often employed in Congress, State legislatures, municipal councils, and courts to bar the public from their own. But when a thing is stolen or obtained by fraud or financial jobbery, or granted corruptly by subsidized lawmakers without any, or upon inadequate, consideration, it cannot be said, in any true sense of the term, ever to have vested at all.

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CHAPTER III

POPULAR APATHY, AND DUTY OF THE PEOPLE HEREIN—A PLEA FOR RADICAL ACTION

"I have studied autocracy in Russia, and theocracy in Rome, and I must say that nowhere have I struck more abject submission to a more soulless despotism than that which prevails among the masses of so-called free American citizens when they are face to face with the omnipotent power of corporations."—WILLIAM T. STEAD.

THE immensity of the country and the great diversity of interests represented by its population, while an element of industrial and commercial strength, is a constantly growing influence of political disintegration. Concerted action among the people, with a common inspiration or motive, is simply an impossibility. The people of Kansas may, in circumstances of peculiar aggravation, resort to radical action against the Standard Oil monopoly, and if they persisted, and if the same conditions existed, and the effect of the exercise of monopoly power upon the interests and minds of other commonwealths were the same, the spirit of revolt might spread to at least a majority of the people. But even in the adjoining States, the oil-producing interests are small or non-existent, and the argument by the trust, and by its political and other agents, that oil is of better quality and cheaper than heretofore is sufficient to quell popular clamor, if not entirely satisfactory. Little attention is paid to the Kansas commotion in the great cities of New York, Boston, Chicago, Philadelphia, St. Louis, and San Francisco, where oil retails at fifteen to twenty cents per gallon, except as

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a mere matter of news. Perhaps in some Southern States the pinch of the monopoly may be felt, but contemporary with the Kansas crusade an acute stage of the negro problem may be up for solution and the monopoly question is scarcely thought of. So the civil war between capital and labor which raged for a whole year in Colorado received but scant attention in other States, even among the organizations of union labor. So with the anthracite coal strike in Pennsylvania. Civil war in Pennsylvania and a devastating coal famine for many cities were only averted by resolute and timely interference by the President, but this failed to create excitement, or even a general and intense interest in sections and communities other than those immediately interested. The people of the great cities on the Atlantic coast and of the Central region are still paying trust prices for coal without any general, at any rate without an organized, protest. They are tamely submitting. Widespread expression of discontent with reference to oppressive railway rates and extortionate trust exactions have been heretofore as transitory and ineffective as those that were local. For three years or more there has existed in this country a combination among meat packers which controlled not only fresh meats but nearly all food products, being greatly aided if not made possible by railroad discrimination in its favor. It reduced the prices of live stock, fruits, and vegetables in first hands, and enormously increased the prices that consumers had to pay for those essentials of life in every direction. From the tone and volume of denunciation hurled at the meat trust since it was formed, one not conversant with our ways would suppose that any administration which refused to subordinate all other issues to this great trust issue must necessarily be swept out of power by an irresistible popular uprising. And the vital and far-

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reaching importance of the issue of whether that one monopoly should continue or should be destroyed would have warranted the people in ignoring all others in the campaign of 1904. But strange to relate, as if by mutual consent, overriding the true interests of party constituencies, the "Beef Trust" continued its operations and extortions, and the railway continued to favor it all during that campaign, and the political sharps of both parties diverted the attention of the people therefrom to such matters as tariff schedules, concerning which there was no difference of opinion except as to which party should be intrusted with the duty of revision, and to irrelevant personal traits of the respective candidates.

There has not been a line of effective anti-trust legislation by Congress for fifteen years. There was one court decision which some credulous people supposed was a crushing blow to the "Beef Trust." But behold! the same combination still exists, the sandbagging of producers and robberies of consumers go on, without abatement or diminution. In fact, just to show its contempt for the Supreme Court, the trust raised the price of meat to retailers an average of one cent per pound within a week after the decision by that court in the injunction case appealed from Chicago.

In New England the interest of the populace is kept alive with reference to reciprocity with Canada and the price of leather fixed by the "Leather Trust"; in California the fear of Chinese and Japanese intrusion absorb the public interest, until an election approaches, that being the only occasion when they should attract attention—and then they are forgotten; in Wisconsin high rates and discriminations, as well as legislative corruption, attributable to railroad lobbyists, have proven sufficient to create a temporary diversion; in Kansas and Texas the people are waging fruitless

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war against the Standard Oil Company, and in the Southern States they have the low price of cotton and the question of social equality with the negro always before them. Everywhere the people are feeling the pinch of monopoly power, and have a vague but groundless notion that the Government at Washington is doing all it can, and is likely to really do something for their relief. But nowhere is there any consensus of opinion as to the identity of the wrongdoers, or as to what remedy should be applied, or how.

One of the things that those enlisted in the war of emancipation from boss and monopoly rule have to fear is just such local and sporadic contests as that which has arisen in Kansas. When analyzed, the fight there for a State refinery is not one for the benefit of the whole people, having for its purpose the reduction of the price of oil to the consumer. Except in so far as it is a common impulse of the masses to applaud whenever and wherever a well-directed blow at monopoly is delivered, only a lot of Kansas capitalists owning oil wells are to be congratulated upon the passage of the laws recently approved by Governor Hoch. These capitalists may find temporary protection, but their fate will be ultimately settled by interstate railroads, quick to learn the full extent of the profits of oil production, and ever ready to serve Standard Oil. Kansas consumers must buy wherever they can most cheaply, regardless of the place of production. In the end, the lion's share of profit between cost of production and selling price will be appropriated by the railroads. Any Kansas statute attempting to regulate freight rates must pass the ordeal of the Federal courts and must stand or fall according to the unjust but established rule that fixed charges, including interest on bonded indebtedness, must be first paid, after which stockholders are entitled to reasonable dividends.

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Moreover, the principle underlying this legislation, conferring benefits upon a class of business men in which all do not equally share, is vicious; nor do the peculiar hardships imposed upon the Kansas oil men warrant the expenditure of public money for a State refinery for their accommodation. The oil men will find themselves little better off with, than without, a State refinery. The real problem confronting them is one of transportation. It is not the means of production nor of refining the product that constitutes their difficulty. They would have no trouble on the score of independent refineries if they were within reach of a market on such terms as would leave them a profit. Notwithstanding oceans, lakes, rivers, and railroads, cheap transportation is still the greatest of all industrial and commercial needs. The fact that a small rebate, going to one producer of any article of considerable bulk in proportion to intrinsic value, enables him to break down and drive out competition, proves this. Had Kansas, instead of spending $200,000 and utilizing her convict labor for the construction of a small manufacturing plant, issued three per cent bonds to the amount of $15,000,000, the longest to run thirty years, with a sinking fund adequate to wipe out the debt in that time, and from their sale had built a railroad and pipe line to the Gulf, and had authorized cities and counties to construct branch lines to connect with it, not only the oil problem, but the cattle, hog, sheep, corn, wheat, and other problems that are now troubling all her people would have been solved. An average of less than $750,000 per annum would keep down the interest and extinguish such an indebtedness in thirty years, and could be paid out of the earnings of such a road at much lower rates than the people are now paying. It could now be built and moderately equipped and be a practicable line to the Gulf for

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$20,000 per mile, whereas the rates which the Kansans and others are now paying the Union Pacific and other roads traversing the State yield dividends upon a capitalization of $134,000 per mile. Standard Oil only has to play a waiting game in order to win the fight in Kansas as elsewhere, because (1) it is a colossal corporation that never dies, grows old, or tires, and (2) it has control of the most perfect and diversified transportation system in the world.

The words of Thomas W. Lawson in a published letter to W. R. Hearst, dated February 21, 1905, referring to the agitation against the Standard Oil Company, are all too true and so pertinent as to justify their insertion here: "If the earnest workers in the interest of the people would only keep constantly before them that the one thing 'Standard Oil'—the 'System'—possesses in greater volume even than money is time, then they would see how little your investigations of Standard Oil, Coal Trust, rebates, and Beef Trust amount to. 'Standard Oil' knows the people will hang to one subject only so long, unless they are quickly interested to a frenzy point on the subject in front of them, and, knowing this, they only ask that the champions of the people come at them in such a way that they can tire out the people's interest, the people's wrath. This has been the great weapon of 'Standard Oil' and the 'System' in the past, and it is the one they depend upon to-day—this one and their money."

The people are in the habit of sending to their State capitals to make laws for them, and to vote for United States Senators a certain number of men, seventy-five per cent of whom are incompetent and many of the remaining twenty-five per cent are representatives of special interests. And in this matter the people of the large cities are the worst offenders. Is it any wonder, then, that the Senate stands like a stone wall across

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the path of progress and good government? The foremost men of a district distinguished for wisdom and integrity should be selected for State legislators. If parties must exist, candidates should be selected at primary elections and instructed as to candidates for United States Senator, and some way should be found to punish disobedience to instructions. It is remarkable how easily the bosses manage to keep the voters lulled, or to nullify their power by dividing them.

It requires intelligence as well as good intentions to know how to discharge the duties of citizenship. The main issue is, or always should be, wise and honest government, or, as it is called, "good government." Such an issue the party bosses despise, and will avoid if possible. If they cannot, they will obscure it and confuse the electorate with side issues and non-essentials, such, for instance, as the effect upon the next State or presidential election. The only loyal partisans are the honest voters. If these can be moved—and usually they are—by such considerations as a party interest, their votes are thereby divided, leaving the riff-raff followers of the boss-monopoly ring free to be thrown to the candidates picked out for them to be supported by the interested political herders. Sometimes the favored candidates are all on one ticket; in other instances they are culled from different tickets. If one party machine is more completely in the hands of a boss than the other, the bosses of both parties are apt to unite for the election of a majority of the stronger party's ticket upon some "fair" arrangement for a division of the spoil. Of the non-partisan, or rather it may be more proper to term it the indifferent partisan, nature of bossism, the relation of Tammany bosses to Republican State bosses is a striking illustration. Having a majority only in that part of Greater New York situated on Manhattan Island, the Tammany chief must trade

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votes in the Legislature to help the Republican bosses overcome the honest up-State representatives of the people in State-robbing schemes, in order to get the legislation it requires for New York. Then there are great corporations in New York which require State favors, for which they go to the Republican bosses; and in that deal they give financial support to the Republican State ticket. The same corporations can always fare better at the hands of Tammany when in power in New York City than from any reform administration; so there they support Tammany's candidates and pay it financial tribute.

Under the boss-monopoly system, when the people have at the ballot box set their seal of condemnation upon a man, their will is treated with contempt, and they find the man well cared for through the exercise of the appointive power. Thus, when the notorious author of the Remsen Gas bill, which Governor Odell vetoed under the pressure of public opinion, had been overwhelmingly defeated for reëlection in 1904, he was immediately appointed Deputy Commissioner of Jurors. And Ernest H. Wallace, another member of the Legislature, who introduced the Anti-Transfer bill and supported other measures favored by the Metropolitan Traction Company, having the effect of relieving it of its obligations, also failed of reëlection. But he had earned his reward; so he was made Deputy Attorney General for New York City, where the duty of prosecuting local traction companies will devolve upon him. William Michael Byrne, of Delaware, so mixed up in the long-drawn-out scandal of Addicksism that the Senate refused to confirm his nomination to be the Federal District Attorney in his native State, was made an assistant to the United States District Attorney. And instances of the use of the appointive power to reverse popular verdicts might be multiplied indefinitely.

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Pennsylvania and each of her cities has been for many years completely at the mercy of bosses; and her election laws are so constructed as to render the condition of her citizens with respect to their government almost hopeless. There are no personal registrations of voters in that State, and the dominant machine has the preparation of the lists of names to be voted in its own hands. Sometimes twenty-five and at other times as high as seventy-five per cent of the names in a list for a particular city or district are those of persons long since dead or who have become non-resident. These names are used by repeaters in the employ of the bosses who go from place to place. If it is suspected that a respectable citizen may not vote according to the wishes of the boss his name is voted by a repeater and his vote is not received when he comes to the polls. The courts are parts of the machine, and a prosecution for violation of the election laws would be vain and fruitless. The citizens of that State have been very busy reaping the benefits of special legislation in one form or another for many years, paying little attention to the methods by which it was secured, until now it would require a revolution to take their local governments out of the hands of party bosses and monopolies. There are probably more heads of families in Philadelphia who own their own homes than in any city of equal size in the world. But have they not paid dearly for their prosperity?

It is an old trick of the party bosses when the people demand relief from too high rates for transportation or commodities supplied by corporations, to go into a political deadlock on the question, and thus enable their followers in the legislative body to shirk individual responsibility for non-action by feigning a trivial party issue. Thus, at the last session of the New York Legislature, the Tammany boss demanded a seventy-five-per-

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cent gas rate for New York City, while the Republican boss held out for an eighty-cent rate. Instead of compromising upon one or the other rate, both sides held out and the $1 rate continues.

The savage bows down before an ignorant, besotted ruler because he fears the ruler will punish him and deprive him of some of the means for the gratification of his appetites and passions. Of like mind and manner with the savage are millions of American citizens, who tamely submit to grave abuses, economic and political, through fear of losing part or all of the little profit which the railroads and other monopolies now leave in their hands, when, if they only knew their power and how to exercise it, their emancipation could be swiftly and safely brought about. So long as ninety per cent thus stand in fear of the monopoly tyrant and party boss they, as well as the other ten per cent, can be persecuted and deprived of their political rights and legitimate share of business; but if a little more than forty per cent should join the ten per cent of those who still prefer independence to the miserly rewards of subserviency, all might again be free. How much better than the idol-worshiping, tyrant-fearing savage is the small business man, the wage-earner, and the farmer, all paying trust prices and railroad extortions? If they followed the dictates of conscience, they would insist upon an opportunity to vote on the question of government ownership of railroads and all other public utilities, and would follow this up at the ballot box by voting in the affirmative. They heed the hired agents of trust-fed and railroad-subsidized political machines and bosses, who frighten them by raving against socialism, when, if they would but allow themselves to think, they would see at once that the twin tyrants for whom the agents speak are worse than any equal number of socialists that ever lived. They are anarchists; that is

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to say, they are men who refuse to be controlled by the laws that are made for them and others. The anarchist with wild eye and murderous impulse, occasionally met with in the cities, is not the one to be most feared. The really dangerous anarchists give orders through party bosses to aldermen, legislators, congressmen, and senators—even to judges and governors and presidents—to set aside the laws, or to make new laws that further enrich themselves at the public expense. Nor are party bosses who corrupt public officers the only anarchistic agents. The ablest lawyers in the country—those who pay to have their virtues and talents extensively advertised—are constantly stultifying themselves, and undertaking for bribes, called fees, to defeat or nullify every law that offers a check upon the rapacity of their anarchistic employers. They fight in the courts until they have won their spurs and are then elevated to the bench or to the Senate, where their work is still more destructive because done under the cloak of public service. And thus we have these anarchists undermining and polluting the Government on the inside as well as from the outside. Where is the law aimed at railway extortion or trust tyranny that has ever reduced rates or prices? By constant agitation and protest we have laws enacted and expensive commissions created, but the anarchists of the steam-yacht and private-car brand openly violate the laws, ignore court orders, and defy the commissions. Our country is almost free from the anarchist of the bomb-throwing type. But we have the anarchy of great wealth obtained through the operation of special laws, and what is equally deplorable, we have slavish submission by the people. If we would be free, we must arise from our kneeling posture and unite our votes, as the anarchists do their money.

To a great extent party rule usurps the prerogatives designed by the founders of our Government to

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be exercised by free and untrammeled representatives chosen by the people. The greatest civic power was intended to rest with the legislatures, State and Federal. It is true that legislators still exercise a free hand in some matters; but only in those which do not directly affect corporate and other purely selfish interests which give to bosses their power and furnish the wherewithal to maintain their prestige. But how can it be claimed that, in anything, the lawmaker is a free agent, when he is such in nothing except by leave of the party boss? Under existing conditions, the lists of names from which the people are permitted to select representatives at the polls must have their availability *viséed* by the controlling financial interests behind the party machine. Often the people at a general election delude themselves with the assumption that they are exercising the prerogatives of citizenship, when in reality they are deciding between two or more sets of candidates, most or all of whom have been previously, figuratively speaking, marked and branded by the great financial despots whose political servants they are.

What the people do is to meet, clamor, resolve, and quarrel with the men they have elected between elections, and when the time for the next election comes around divide again and vote their respective party tickets, on which may appear the names of the same men who have betrayed them, or others nominated in the same way. All at once, and at a time when no candidates are in sight, and there is no person in particular to strike at, some preacher starts a crusade against vice; or some professor of sociology discharges a lot of good stuff about the suffering and oppressions of the poor; or some reformer points out the infamy of public service corporations; or some labor leader loads up and fires a broadside at corporations for cruelties practiced upon wage-earners. The newspapers take it up, and society

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is stirred from center to circumference with righteous and other kinds of indignation. The various crusaders furnish excellent "copy" for the daily press. They overlap each other, and constitute a furor of oceanic magnitude and volcanic vehemence. But, like other storms, these soon blow themselves out, the crusaders forget their splendid resolutions, and on next election day are led by the same so-called leaders to do the same old trick at the polls—all in the name of "the organization." Just as this is written, the whole nation seems to be in a state bordering on frenzy on the subjects of political graft and monopoly oppression. All are now talking, from the President down to the bootblack. Most of the talk is wise and from the proper standpoint, and many are deluded into the belief that something is about to be done, that at last the manipulators of the stock market, the jury fixers, the legislative lobbyists, the financial magnates, who water corporate securities, misuse insurance reserves, and rig schemes to rob the "Street," are really in their holes, and that their only hope of escape is to dig out through the bottom. But the cause of all the evils complained of is not mentioned. That cause is the license which the people give to their party bosses to set up conventions, to place corporation collars around the necks of candidates, and the incapacity of themselves to discern the nature, force, and effect of the rotten foundation for political action thus laid before their eyes.

The people ought to some time awake to the fact that the political bosses have no genuine political convictions, that they in turn are bossed by men higher up—namely, the corporation lawyers—who in turn are merely the mouthpieces for those in the third heaven (or hell) of bossism—the corporate president, manager, or other bag-holder.

In State and municipal politics the bosses of the

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leading parties are in partnership. No more is there a fixed principle of governmental policy involved than there is an astronomical law. The boss of the prevailing party usually gets the lion's share of the corruption fund, but the boss of the losing party always comes in for a percentage. The real fight between party tickets is a fight between Republican Boss Robb and Democratic Boss Jobb for the big end of the swag.

The people at large have but a faint conception of the far-reaching influence of the "corporation" lawyer in matters of legislation, in the administration of the laws, and in the conduct of political machinery. They know the boss—at any rate they have heard of him. Usually the citizen of ordinary intelligence knows the name and personal appearance of the bosses of both the leading parties. If he is a partisan and takes an interest in political action he usually comes in contact with the boss. But in the infamous schemes of party politics, made respectable by professions of loyalty to some so-called party principle, there is a power beyond and beneath the boss, to wit: the public service corporation —usually several forms of it. Its visible representative—and there are usually one or more for each public service corporation in each State or city—is the corporation lawyer. There are various methods by which he obtains admittance behind the screen of corporation villainy and gets his name added to the pay roll. He may happen to be related to, or intimate with, a judge who is a successful politician and an adept in covering his tracks. He may have adroitly managed some piece of boodling legislation as a member of the Legislature, or successfully done some crooked job before a court, the benefits of which accrued to a public service corporation. In that case he has won his spurs, that is, has established the proper character and won favor, and is entitled to standing as a corporation tool—a corpora-

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tion lawyer. It is not to be supposed that such real "character" will alone entitle him to high rank or pay or permanent employment. These are reserved for the rascal of smooth deportment, oily tongue, respectable connections, moral, even religious, pretensions, and brains. Sad to relate, but true it is, that while not all the lawyers of great ability who are appointed to Cabinet positions become the advisers and servants of monopolistic corporations, it must be conceded that such is the rule. Look at the long list of senators elected by subservient and corrupt legislatures at the dictation of railroads and trusts, who, pretending to represent the people of the States in that body where sat such men as Clay, Webster, Benton, Thurman, Blaine, and Hoar, simply guard, for bribe money, called fees, the interests of the masters who had them elected.

There was a time when some attention was paid to the declarations and promises contained in party platforms, but we have now reached an era when the platform becomes *functus officio* at the closing of the polls on the night of election. At that point policy entirely supersedes party principle; and party policy is simply the fiscal policy or programme prepared before those elected have been installed by those who have financed, acting in concert with those who have successfully managed, the campaign. The measures enacted pursuant to the programme are advocated as expedient, patriotic, even benevolent, though perchance inconsistent with the promises in reliance upon which the necessary votes to elect were obtained. In the next campaign a new set of declarations are platformed, based upon the more recent performances, claimed and plausibly reasoned out to be promotive of public interests. In other words, a new set of promises are made, to be again disregarded, and pledges made to others than the electorate—pledges made in secret in consideration of campaign corruption

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funds—are substituted and fulfilled. Between elections vast monopolies and aggregations of millionaires called syndicates, conspire together and extract from toil and from every line of business hundreds of millions of dollars, keeping the people so busy barring the wolf of starvation from the door that they have little time to study political and economic questions. They only realize that they are being mercilessly taxed with the cost of living, utter an occasional howl, and go on enduring and guessing what the next turn of the screws will be, until the next presidential election. Then one or both of the leading parties collects millions of dollars, hires the best talent in the land to go forth and orate upon non-essentials, and an army of secret-service men to ascertain who and how many in each precinct, county, and State can be bribed, and how many can be cajoled, shamed, or browbeaten with a threat of party ostracism, and how many recalcitrants can be coerced by threats of discharge from employment or loss of business into voting the party ticket. The same corruption in office, the same betrayal of party promises, the same infamous methods of carrying elections are witnessed from year to year and repeated at one election after another. And many voters, who either know the facts or refuse to be enlightened, go on submitting and participating, voting the same old party ticket because their fathers voted it, or for some cheap bribe, or upon some other absurd pretext.

The injury to the public of partisan rivalry and jealousy is sometimes seen in a clear light. For instance, when the accomplishment of a great work of vital and urgent importance is postponed by a party in power in the fear that in carrying it out the other party will acquire prestige, or that its leaders will realize great financial gains in which the party in power at the time will not equally share. A striking illustration is

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afforded in the proposition to furnish to Greater New York a more abundant and permanent water supply. For years the people of that great city have been menaced with a water famine, and were only saved by a succession of seasons of abundant rain. A Republican Legislature has persistently refused to enact measures authorizing the city to inaugurate the work of construction because the control of the work would be in the hands of a Democratic municipal administration, and the enormous expenditures would financially benefit Democratic officials and employes. In February, 1905, the danger of further delay became so obvious, and the necessity for immediate action so urgent, that partisan objections were temporarily waived, and a delegation, headed by the Democratic Mayor McClellan and his immediate predecessor, ex-Mayor Low, Republican, appeared before the proper committee at Albany and united in an explanation of the situation and in urging the taking of preparatory steps. Their bi-partisan coöperation soon bore fruit. But how many reforms as vital, if not so urgent, are subjected to the dry rot of indefinite postponement because of party policies, boss programmes, and the corrupting influence of public service corporations, in whose interest mainly party names are used and the divisions of the electorate into contending ranks perpetuated.

The defenders of monopoly and apologists for all the enactments by which the people are financially plucked declare that, after all, ours is the only perfect form of government ever instituted. They point to vast aggregates of annual gains in business, and aggregate increases of accumulated wealth, but they avoid details. They never mention the fact that the increase of annual gains was realized by the comparatively few who already had more than they were honestly entitled to, and that the accumulations, after having been deposited by the

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toiling millions in savings banks and with insurance companies, finally went into and rested in the hands of those whose prior accumulations enabled them to control previous elections and dominate absolutely legislation and administration.

The English people really have the substance of self-government, while we have only the form. And even in Germany the will of the people has a more powerful and direct influence in shaping the laws and policies of government than can be truthfully claimed by the people of the United States. The Germans have made more progress toward practical democratic rule in the last three decades than any other people, despite the fact that their government is autocratic in form, and that the Emperor is surrounded by a titled nobility and sustained by a large standing army.

In England, if parliament enters upon a policy or enacts a measure contrary to the wishes of the electorate, the latter possess a means for making their views known. And thereupon parliament is dissolved, and the disputed question or policy referred back to the people for their verdict. Whatever the result of the vote taken upon the referendum, the new parliament reflects in legislation that result. The House of Lords dare not proceed contrary to the will of the people nor even the crown.

No Act of Parliament has been vetoed for more than a hundred years, though in theory the king holds the veto power over all legislation. The House of Lords heeds the voice of the people; but our Senate holds the same relation to the people, to all practical intents and purposes, as that held by the Grand Ducal Council of Russia to the Russians.

In our newspapers we express our inability to understand why the Russian people have so long submitted to the tyrannical power of the nobility of that country, just as if we were not governed at home by an autocracy

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just as unprincipled, selfish, and cruel. The grand dukes of Russia exert their influence with the Czar to nullify the efforts of the people to secure relief from existing conditions, while in this country the bosses and monopolies exercise an influence equally evil and potent to prevent our "highest legislative body in the world," whose members were elected to represent us, giving relief from railroad and other monopoly extortion. Our attitude should not be that of critics of the Russian people, but of sympathizers with them in a common affliction. If there be any difference, we are the more culpable of the two peoples. They have no other remedy than revolution, while we have an adequate peaceful remedy at hand whenever we choose to resort to it.

When any particular municipal government becomes so corrupt and oppressive as to seriously increase tax bills and rates, and otherwise so scandalous as to attract attention abroad, civil pride takes offense, and good government leagues, civic reform associations, and the like are formed; then the dominant party either temporarily conforms to the demand thus created for a better class of nominees or suffers one defeat, knowing that as soon as the election is over the reformers will hie back to their business, leaving "good government" to take care of itself. That it does by falling into the hands of new bosses who, in their turn, are forced into retirement at the next election. Sometimes the men elected under the "good-government" movement turn out to be the same old article previously in use, so that the party boss who was temporarily shoved aside comes into his own soon after the elect are sworn into office. One thing needed to change all this is to give that large class who really prefer honest administration of municipal affairs increased importance in government from their standpoint; to make the difference between bad or good public management a difference considerable

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in amount, as measured in dollars and cents. When the citizen, now so indifferent, comes to realize that the sums to be handled by public officers are ten times as much as at present, he will no longer intrust the making of his party ticket to a small, corrupt machine. He will participate with all his influence in the primary election, and if he fails to get a trustworthy candidate on his ticket for a particular office, he will, along with many others, throw off party strings and elect one upon an opposition ticket, or help form a new organization and put up an independent ticket. Of course such independent tickets may fail of election for a time, but the final effect will be the breaking up of machine programmes and the bringing of party managers to their senses. Thus there will soon be a hot rivalry between these different parties to put up candidates of a character to secure the votes of independent tax-paying citizens.

It is said by Mr. Steffens in "The Shame of the Cities," "The boss is not a political, he is an American institution, the product of a freed people that have not the spirit to be free." It would be more in conformity to the facts to say that while American citizens have sufficient spirit to attain freedom when denied to them, and to protect it when threatened, yet political affairs do not sufficiently concern them financially to command proper attention from them. All this will be changed when the administration of government, general as well as local, directly and considerably affects the ordinary and essential conditions under which business is transacted by the capitalist and wages earned by the employee. The same writer says, with considerable truth, "And it's all a moral weakness, a weakness right where we think we are strongest. Oh, we are good on Sunday, and we are fearfully patriotic on the Fourth of July! But the bribe we pay to the janitor to prefer our interests to the landlord's is the little brother of the bribe

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passed to the alderman to sell a city street and the father of the air-brake stock assigned to the president of a railroad to have his life-saving invention adopted on his road. And as for graft, railroad passes, saloon and bowery-house blackmail and watered stock, all these belong to the same family. We are pathetically proud of our democratic institutions and our republican form of government, of our grand Constitution and our just laws. We are a free and sovereign people, we govern ourselves, and the government is ours; but that is the point. We are responsible, not our leaders, since we follow them. We let them divert our loyalty from the United States to some 'party'; we let them boss the party and turn our municipal democracies into autocracies, and our republican nation into a plutocracy. We cheat our government and we let our leaders loot it, and we let them wheedle and bribe our sovereignty from us. True, they pass for us strict laws, but we are content to let them pass also bad laws, giving away public property in exchange, and our good, and often impossible, laws we allow to be used for oppression and blackmail." These things are all true only in the absence of counter leadership, counter organization, and incentives to action that are stronger than our self-interest in the time, expense, and effort required to change political conditions, as is shown by the same author in the same work. He shows how one strong, determined public officer and an organization of less than a dozen members in Chicago were able to put to flight all the armies of corruption. In St. Louis and Chicago, respectively, the incentive in each case for popular support was the mere love of public virtue and the protection of general interests. With the municipalities in complete control of public utilities, the better class of citizenship, the largely preponderating influence in politics, will have an interest in municipal gov-

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ernment so direct and substantial that party bosses will never again be able to become despotic.

The past has proved that, although our people give very little evidence of public spirit when affairs—commercial, industrial, financial, political, and international—are drifting along the even tenor, with ebb and flow of the tide, yet in every great national crisis all but the meanest are lifted above the ordinary routine of life by waves of emotion and are ready to make sacrifices, even to the extent of offering up their lives. So that those who labor to impress the popular mind with the dangerous conditions brought about in this country by the arrogant, remorseless railroads and other monopolies need not fear that their efforts will be vain. Fortunately there yet remain in every community a large number of influential men whose welfare is not so dependent upon monopoly favor or disfavor but that they can, without sacrifice other than of time and labor, lead in the work of teaching and organizing. If they delay, the time will soon come when even they will find themselves under the rods of the twin tyrants—monopoly and the party boss. Few things are more soul-inspiring than to see, as was recently seen in Chicago, a large majority of the substantial citizens working together for the accomplishment of a great purpose, the result of the success being the removal of a public evil and promotion of general welfare. For the time, all conflicts between labor and capital were forgotten, scrambles for personal prominence were abandoned or frowned down, and rich and poor alike, all working together, realized a sense of civic obligation. All who had a share in the work may now felicitate themselves that, hereafter, those having business to do, which may as well be done there as elsewhere, will give that city the preference, because where there is most public virtue there is apt to be found also more individual honesty. By all standing together

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for municipal thrift, there will be more to divide among themselves as profits and wages. The world has heard of this triumph of public spirit in Chicago and will flock there to reside and to invest capital, or at least to leave orders with the city's merchants and manufacturers. It is remarkable and encouraging to reflect how easily it was done. Only a few men of courage and brains, such as may be found in any city, took the lead. The others of like spirit followed, and not all the powers of partisanship, graft, and special privilege were able to prevail against them. Having taken the first long stride by a popular vote, there is not the slightest danger that the successive essential steps will not be taken, until it will be a consummated municipal ownership of every street-car line, gas and electric plant, pipe and wire, and of every telephone. Chicago will become more and more to the United States what Paris is to continental Europe.

The issue between private and public ownership of public utilities is a great one and cannot be frowned down. The railway magnates of the country are at last becoming alarmed. They have at last learned that they cannot treat the advocacy of government ownership of interstate lines with indifference. They have been among the first to see that if the demand for municipal ownership of street railways becomes irresistible, the more reasonable, if more important, demand for national ownership of interstate transportation will have to be met and answered at the ballot box in some form in the near future. The people can bring about this desirable consummation just as soon as they desire it. They alone can take the initiative. The fact that they can change the laws, even constitutions, if they go about it in the right way, should inspire every individual, no matter how humble or obscure, with a determination to do his full share.

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The workers and devoted leaders in the movement for the great uplifting change from private to public ownership are not so many that they can afford to divide on non-essentials. Their first great duty is to convince the people of its expediency, yea, necessity and incalculable benefits, socially, politically, and economically. At the threshold of the great work is the most difficult task of all, and that is to overcome the inertia of the masses and incite individuals, one after another, to thought and action. But this task is not so difficult as a superficial view of the past would seem to imply. Sometimes great changes in the views of the many approach without exciting notice or comment. For instance, a proposition for municipal ownership is submitted one year and receives the support of an insignificant minority. No friend of the cause should be discouraged by such a result. There may have been thousands of voters against the proposition who by reading and hearing the arguments pro and con during the campaign were strongly impressed in favor of the proposition, and yet, for lack of time and capacity to thoroughly study the question, had a lurking fear of results, and decided finally to oppose. During the succeeding period, having thus become interested, their studies of the system of public ownership have banished their fears, and their changed attitude has been fortified and firmly rooted by observation and public exposures of the evils of the prevailing system of private ownership. Unfalteringly and continuously should the friends of public ownership plead and teach and expose. Let it be borne in mind that great changes, such as the leaders in the cause of public ownership advocate, are not at the present day preceded by loud outcries from the people nor by exciting demonstrations of popular fervor. The people read much, even if they do not all think deeply. They are slow to action, and in almost

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every instance are more than willing to be led in the right direction by those entitled to their respect and confidence. Much as it may seem that the people are indifferent on this question, such is not the case. We may marvel at the refusal of the electorate to give the necessary majority for a scheme of public ownership on a particular occasion, but why should we when we consider the power, interest, and influence of the opposition? The opposing arguments are prepared and promulgated by the best brains that money can hire; that is to say, the shrewdest of lawyers and publicists. The mouths which give utterance to arguments against municipal ownership do not belong to those who own the brains. They usually belong to those who have studiously and industriously built up reputations, which they do not deserve, for civic virtue and public disinterestedness. They are sometimes men who never did an honest day's work in their lives. Others are hired writers for newspapers and magazines, turned patriots. Monopoly rule and boss rule are twin evils to be gotten rid of at once and by the same method. The people whose interests and inclinations oppose them must unite. Probably the organization in which they unite will bear a party name. It is immaterial what the name is, but it will have to be a party from which the bosses and monopolists are barred or banished. Such an organization will be invincible, notwithstanding the facility with which railroad magnates and other monopolists come to an understanding and harmonize with each other and with the bosses for the defeat of good government. Let past differences and personal grievances, real or fancied, be forgotten until monopoly, tyranny, and boss rule, the most dangerous foes the Republic ever had, are overthrown. The proper procedure is suggested in the next chapter.

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CHAPTER IV

VIEWS ON PARTY FEALTY—HOW TO OVERTHROW PARTY BOSSES

THE earnest insistence in preceding chapters that citizens should declare their independence of party machines and bosses did not go to the extent of assuming that they would or should ignore all other questions than those pertaining to boss and monopoly rule, nor is there any hope entertained that the time will ever come when political contests will be waged otherwise than under party names.

But the overthrow of bossism is a duty encountered at the threshold of any and all independent and effective party action. The time to attend to the boss is before platforms are adopted and nominations made. The voters of a party can control these and take charge of their parties by attending primary elections if the law or the rules of the organization provide for such elections. If not, the voters of any party may form primary election leagues or clubs and bring such influences to bear upon those in charge of the governing committee of the party as will compel the holding of primaries, and then actively participate therein. But of course this will all be so much labor lost unless the right men are selected and consent to serve as delegates to conventions.

Where no effective primary election law is in force in the particular State, voters should direct their efforts to the framing of such a measure, and see that no can-

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didate is nominated to the Legislature who cannot be depended upon to keep a pledge, and then see that all such nominees are pledged to support such a measure.

It is surprising how much a few resolute men can do in such a cause if they earnestly enlist in it. In 1898 there was no primary election law in California that was binding upon a party committee. The committee might have a primary held according to rules prescribed by the committee, and then, if the result was not satisfactory, proceed to ignore it and appoint delegates to conventions, or even put up a ticket without a convention. In that year one of the members of a certain party club in San Francisco, which holds weekly meetings from year's end to year's end, made the hitherto unheard-of motion that a committee be appointed to call an inter-party conference to frame a primary election law. No one objecting, the committee was appointed and sent invitations to all party committees and to several other party clubs of different parties. The conferences met at the club rooms of one of the clubs, organized, appointed a committee to draft a bill. Numerous meetings were held to discuss the provisions of the bill as reported by the committee. The press took up the work of the conference, and the public became interested to such a degree that both the Democratic and Republican conventions of that year adopted platform resolutions in favor of a "compulsory primary election law," to be conducted at public expense upon the Australian plan. By a "compulsory primary election law" is meant simply that no candidate with a party designation shall be entitled to have his name submitted to the voters at a general election unless previously nominated by a convention composed of delegates elected pursuant to the provisions of such primary election law. When the Legislature met in January, 1899, the bill as proposed by the conference passed with practical

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unanimity, without material amendment. Primaries were held under it in August of that year, and seventy-five per cent of the voters participated. The workings of the law were satisfactory, except to some of the party bosses and machine politicians. It was far the best law on this subject ever enacted, and is the basis of all such legislation elsewhere. It provided for secret voting, but without a party test. After the August primaries, in Fitch *vs.* Board of Election Commissioners, the Supreme Court held that the failure to provide a party test rendered the whole act invalid. This decision was said to have resulted from pressure brought to bear upon certain of the justices by party bosses whose importance had been greatly diminished by the operation of the law. At any rate, it had no support other than the baseless assumption that political parties are substantial entities, in the nature of voluntary associations, and as such entitled to protection from control which may be acquired by " members " of other parties at the primary polls. But the honored justice who wrote the opinion made no attempt at defining membership in a political party. It is a thing that cannot be done so as to stand a legal or judicial test.

At the next session of the Legislature a new act was passed, but the bosses and corporation lawyers took care that control of primary elections should be left principally in the hands of governing bodies of the parties. Still, the present law is a great deal better than none.

No recognition is given to political parties in the Federal Constitution or in any State constitution. And in reality political parties do not exist as tangible entities. If one started out to locate, define, and take the measure of the Republican, the Democratic, or any other party, where would he look for it, how could he define it? What are its authority and dimensions? Some law-

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yers, if questioned on this subject, will say, "Why, the party committee is what is known in law as a voluntary association." Even if that were true, it would not constitute the party which it assumes to represent such an association. Without statutory recognition not even the party committee would ever have been entitled to a standing in any court as a legal entity. A voluntary association, in law, means a permanent association of individuals bound together by some form of mutual obligation which can be enforced. But where can such obligation be found in a party committee?

The view that a political party has status as a legal entity has carried some of those entertaining that view to make the most absurd and inconsistent applications of it. Thus the Cincinnati *Enquirer* recently condemned the Wisconsin Legislature for the adoption of a primary election law with provisions including a direct vote on candidates for the United States Senate, and said: "This attempt to secure the election of senators by popular vote is carrying to an extreme the current fad and heresy of legislative interference with private affairs of a political party, which is a purely voluntary organization, not created or constituted by constitutions or statutes." The editor then proceeds to criticise lawmakers generally for "tinkering" with the management of parties. It is obvious that this line of reasoning, if carried out, is a repudiation of the whole theory of popular sovereignty, and, while upholding government by party, would limit party control to the will of party bosses.

Primary election legislation is usually very imperfect and fragmentary. If proper codes of laws on these subjects were enacted in every State, the people would make less complaint, and would have less cause for complaint on the score of corrupt government resulting from the rule of corporations, party bosses, and political

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machines. Under a primary election law protecting and insuring a secret ballot to every voter for the selection of delegates to all party conventions, the reluctance of the respectable law-abiding citizen to participate in political affairs would soon disappear. Then if a party became corrupt or irresponsive to the popular will, voters affiliating with that party could purify it without publicly going on record to be disciplined by the bosses or discriminated against by corporations. In addition to such a thorough primary election law, each State constitution should, when all citizens have become accustomed to voting at the primary, prescribe as one of the qualifications for voting at the general election within the same year that the voter should have voted at the primary election in that year. Such constitutional provision would hardly be popular until the people perfectly realized the reformatory effects of the primary. But that time is not far distant.

Under the existing systems of party rule such a thing as general participation by the people in active party management is unknown. Business men—and this term includes all having business cares and responsibilities—soon learn the lay of the land. When they dip into party management without an invitation, which they rarely receive, they are immediately made to realize that they are rank outsiders, going in where angels dare not—that is, where those considerably lower than angels dare—to tread. The bosses and the corporation lawyers make up a slate of delegates to both party conventions. These slates are ratified by the party committees, if there is no compulsory primary law. Under such slack-twisted primary laws as are found in most of the States the governing committees submit but one list of delegates to the agglomeration of workers, heelers, and bums at present permitted to constitute the electorate at the primary. Very seldom is there any successful opposi-

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tion to the state for delegates. The practice is substantially the same in both leading parties.

The first essential step in consummating any reform in the United States will be the placing on the statute books of at least a majority of the States a compulsory primary election law. It would be much better if party tests could be dispensed with at primary elections; but, according to a California decision, most State constitutions would have to be amended to permit of the use of a ballot, secret with respect to party affiliations.

Notwithstanding that, as before explained, our Federal Constitution discriminates against the general electorate and in favor of politocracy, yet the people have the knack of finding a way around obstacles to a direct expression of their will. Deprived of an opportunity of voting for presidential candidates, they have, by common consent and uniform practice, created a political law that presidential electors must vote for the candidates for President and Vice-President nominated by the party which nominated them. So strongly is this unwritten and unenforceable law supported by public opinion that in no instance since the organization of parties has an elector dared to violate it, except in one instance, where the candidate died before the electoral votes could be cast, and in that case obedience was, of course, impossible. So, although the task of changing the Constitution in order to inaugurate needed reforms cannot be done by direct methods, yet the people have found a way to accomplish the same end. Some of the States are taking the lead; it is hoped that in a short time we shall see others following their example. The people may just as effectually exercise their voting power to select United States senators as in electing members of their State legislatures. In the Southern States the contest for the dominant party's candidate for senator at the primary is as real and as fairly conducted as are

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the best supervised elections for State and county officers. The example thus given by the Southern States furnishes a workable plan for all the States. Wisconsin, at the last presidential election, indorsed by a large popular majority a law under which the voter records his choice for party nominees for United States senators with the same binding force and effect as for other officers. Members of the Legislature of that State would no more dare to ignore the choices of their respective parties for senator as expressed at a primary election held under the provisions of that law than would the presidential electors chosen at the same election have dared vote for some candidate for President not nominated by their party. Illinois has put in force a similar statute. South Dakota has taken steps to follow the example of Wisconsin and Illinois, and the reformatory forces in some other States are laboring to the same end. There is a strong probability that some political laws of a far-reaching character are about to be established in spite of the senatorial barricade.

But the people of any State who are really in earnest for a change need not wait for a primary election law. They may by agitation bring so much pressure to bear upon party committees that the latter will be compelled to submit the question of the senatorship at primaries, as well as provide a plan of conducting the primary which will give each person desiring to vote an opportunity to do so. But the enactment of compulsory primary election laws should be an end not for an instant lost sight of. Such a law will be a safeguard against a reaction to the old machine tricks and practices after the vigilance of the better elements in the party has relaxed.

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CHAPTER V

ABUSES OF PRIVILEGE BY MUNICIPAL-SERVICE MONOPOLIES AND THEIR POLITICAL ANNEXES, THE PARTY BOSSES

I.—How the people divide into parties and are led and pillaged by corrupt party leaders
II.—Acceptance of false standards for rate-fixing purposes
III.—Instances of overcapitalization and high rates
IV.—Swindling through false meters
V.—Workings of the boss monopoly régime in particular cities
VI.—Gigantic absorption contemplated by the North American Company

I. *How the people divide into parties and are led and pillaged by corrupt party leaders*

It is said that prisoners who have worn shackles on their limbs during long terms of imprisonment become so accustomed thereto, habitually adapting their physical movements to the physical encumbrance, that they scarcely know how to move about, and actually experience pain in attempts at locomotion after gaining their freedom from restraint. It may be the dread of some such experience that has reconciled the people so long to the dominance of the political machines in municipal politics.

Just how long the people have permitted themselves to be divided into herds and branded, some with the brand of "Democrat," others "Republican," etc., as a step in the process of electing city officers and conducting municipal affairs, it might be difficult to ascertain. But a more stupid, wasteful, and demoralizing, and we

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might even say barbarous, system it would be difficult to imagine. In the long-ago beginning of organized government the people divided into tribes, each choosing the strongest for headman or chief. When the members of a particular tribe became rebellious under heavy burdens, they were pacified by being led as an armed force against a neighboring tribe, whom they sought to butcher without mercy though without malice; and, if victorious, they were allowed to feast upon the spoils of victory. So in our up-to-date cities, the corrupt bosses and leaders, wearing the collars of public-service monopolies, borrow national party names, step to the front, and lead the divided masses against each other at the polls. The difference is that the ancient chiefs rewarded their followers with the loot wrenched by force from the prostrate forms of the opposition, and there was maintained at least a show of fairness and equality in the division, whereas the modern boss, at the end of a political contest in which his forces outnumber the opposition and capture the rich spoils of office and opportunity, steals the loot from a common fund exacted from both friend and foe. Nor is the division general, nor is it made to the most valiant among his following. The qualities which entitle the favored ones to partake are not such as would commend their possessors to the electorate were the latter not divided into clans, whereby it becomes impolitic to scrutinize too closely the characters and records of office-seekers and their appointees. But wherefore this bringing forth the party slogans and rending the air with declamatory appeals to party prejudice? Whatever there has been of party enthusiasm or maneuvering during the campaign vanishes at the closing of the polls, leaving scarcely a whisper in its wake.

Dr. John H. Girdner, discussing a kindred subject in a recent issue of *Tom Watson's Magazine*, says:

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"The political eagles that feed on the franchise carcass have a different way of deceiving the people. They organize themselves into what they call a political party, and by working three hundred and sixty-five days in the year, while other men are attending to their legitimate business, they get control of the legal political machinery of one of the great national parties. The name by which they call their organization will depend on the particular city they are operating in. In New York, for instance, they call themselves Democrats, not because they know or care anything about the principles of democracy, but because a majority of the independent voters are Democrats, and then they secure the votes to elect their candidates from the very people they intend to despoil once they get in. For a similar reason, the political eagles of Philadelphia call their organization Republican. If the majority of the voters of any city favored prohibition, you would have that city's organized political eagles calling themselves Prohibitionists. New York, Philadelphia, Chicago, St. Louis, every city in this country which has a fat franchise-wealth carcass, has its corporation and political eagles gathered together to devour it."

Indeed, the important question in these contests is not whether one set of candidates bearing a certain party label or another bearing another label ought to be elected, however sincerely the voters believe or the leaders declare so. Two other issues or consummations are of vastly more importance. First, that the candidates be honest and free from sinister influences and pledges, and, secondly, that they have the intelligence and courage to conserve the interests of their constituents. But rarely do the voters have an opportunity to elect such men to office, even if able to rise above partisan bias. It seldom happens, either in national, State, city, or county government, that a notorious rogue or

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a man of bad repute is elected to public office. The reason is that politics is a stage whereon actors play their parts each with more or less success, according to the dramatic ability of the place-seeker and his adaptability to the particular rôle. So there will be found in each community a class of professionals, that is to say men who make the displaying of superior honesty or patriotism, or of some public virtue, a business. You will find another class who may lack the "face" for that kind of posing, so they work overtime playing the agreeable. They are noncommittal under all circumstances, no matter how urgent the call for an expression, if there happens to be a difference of opinion and if inconvenient hostilities might be aroused by an intimation of their views. They are not only timeservers, but are as colorless among men of thought, sentiment, and real character as plants sprouted in a cellar. From these classes are selected for their availability the candidates whom the herds that follow the party leaders elect to public office and provide with the opportunity which public office affords. The first class are hypocrites, and the second class moral cowards. Both are extremely selfish and unscrupulous, neither knowing nor caring for any distinction between virtuous ambition and the lust for power and pelf. We may ask the question, Why are such men nominated? This question is best answered by asking and answering another: How are they nominated? Before receiving the nomination one has to pass muster with the public-service monopolists and bosses. Beyond that answer inquiry need not be extended. Of course men outside the above-described classes are often nominated without having to read and approve the boss's catechism; but sometimes even then it is because the dual powers know their characters so much better than the public that they are willing to take them on trust.

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It is a remarkable and deplorable fact that the conditions under which the people thus play an insignificant part politically are not obscure and unknown to them, but are given the widest publicity; and instead of being subjects of indignant but incessant clamor and agitation, are silently accepted and acquiesced in by the vast majority. Public franchises are appropriated, public moneys wasted or stolen, malfeasances are of daily occurrence, though of only occasional detection and exposure; thieves go into office poor and retire rich, the cream of all the profits of business is taken off by the comparatively few who control local public service and municipal finance. The people accept from force of habit the dogma that stolen property becomes vested property when stolen from the common hoard, and of sufficiently large value. They have become reconciled to enormous frauds in dealing with public affairs which ought to arouse them to almost as high a pitch of indignation as if a foreign enemy landed on our shores.

The "good" people of this country, locally and nationally, are herded into parties, while the "bad" people, the grafting and bribe-hungering gangs, are rounded up by bosses, ready to be sold *en masse* or *en bloc* to the corporations, to be voted on election day as the corporations deem most to their interest. Those among us who pride ourselves upon having voted the straight Republican or Democratic ticket consistently (?) all our lives have "doped" ourselves with a lot of notions called political convictions, commendable enough if we took necessary precautions in time to select men for office who could be depended upon to spurn the boss and the monopoly bribe and stand for our principles after election. But, as a rule, we begin to spread ourselves on principle after it has been already sacrificed at the primary or convention, and the boss has sold our votes to his twin-brother tyrant. When not so disposed of,

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our votes are smothered after the nominations are made by the boss and his brigade of bums and grafters, held in reserve, ready to be traded to the monopolies and voted against us. True, they may be voted for our ticket, but if, in the deal between the boss and the monopoly, the bums and grafters go into the scales on our side, our only consolation is that our boss and our candidate will have an opportunity to cut and divide the boodle carcass, rather than those of the other party. These are the inducements and that is the way we "keep up the organization," when honest partisans fail to participate at the primaries, refuse to stand as delegates to conventions, and leave the party management in the hands of the boss and his political chattels.

It may be said that rogues would sometimes go into office even if the people more actively and independently participated in party management at primary elections and otherwise. There is more or less truth in this statement, but no one or two dishonest men, holding office in a community where all other public officers are honest, could establish a system of boodling and bribery. To escape detection they must work by system, with a boss as a go-between, in order to effect the purpose of the bribe-giver, especially where, as is usually the case, the latter is a corporation. Nor is it true, as a rule, that the candidates put up by bosses are dishonest prior to their nomination. They are forced to forfeit independence and to stultify themselves in advance of election in order to obtain party nominations. That is to say, they must agree to serve the boss and his clique rather than the people. The boss rarely wants a man so dishonest as to misappropriate public funds.

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II. *Acceptance of false standards for rate-fixing purposes*

Once every year the question of fixing rates for water, gas, and electric lighting companies comes before the various city councils, boards of aldermen, or other legally designated body, by whatever name designated.

The question of a reasonable rate must be then considered. What follows has direct bearing as well upon the question of a just price where property of a public-service corporation is taken over by a municipality, or a state, or the nation, as upon the question of a reasonable rate where the same property remains in private hands. We will suppose the rate-fixers to have been nominated to office by the monopoly agents and bosses according to the usual practice. They then accept without question the premises and figures of the monopolies as a basis for passing upon rates. Two claims are made: First, that interest on the bonds, expenses of management, repairs, and betterments must be provided for; second, that provision must be made for dividends to the stockholders, the equivalent of profits from the business.

The false major premise supporting the claim thus presented upon all such occasions is the proposition that the Government must accept and recognize unchallenged the exclusive monopoly privilege of the claimant to occupy the territory and levy and collect from all dwellers therein some aggregate amount, measured by a standard which the latter had no hand or voice in creating. To illustrate, we will take a city like San Francisco and its gas monopoly as an exemplar of its dealings with all service corporations. We find there a gas company whose rate is fixed by an acommodating board of supervisors at $1.25 per 1,000. That rate will yield a sum equivalent to repairs, extension, expenses, management,

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interest on $10,000,000 of bonds at five per cent, and dividends of six per cent on a stock capitalization of $20,000,000. So servile, so indifferent to the interests of the people, so stupid when it comes to measuring strength with the agents of the gas company, if not something worse, are the supervisors, that they accept without investigation, or after merely farcical investigation, the figures presented by the attorneys for the company to justify the capitalization, and begin with an enormously false basis for calculation. Now, in the first place, a city must resolve itself into an insurance company and constantly maintain that relation before it recognizes any measure of return to the company whatever. The true and sensible attitude of all governments toward public-service corporations would be that of a free agent in the market to procure at the lowest available price an essential commodity, ready, if necessary, to deny the use of its streets to any one company and to sell the right to another or to use them in connection with a new plant to be constructed by itself. Occupying this independent relation, the existence of the monopoly, and the presence of its works and system in the streets, and its present facilities for rendering the service, should be given some consideration, but should not be by any means determinative. Yet, almost universally, city councils and boards of supervisors bend the knee of thrifty servitude to the existing monopolies as if the individual members were before a giant who, with sword in hand, commands them to stand and deliver, they giving countenance to the monopoly status just as if it were the most natural and well-ordered arrangement which modern civilization has produced. To fully understand the enormity of the imposition thus inflicted upon the people, we will explain the history of the San Francisco gas- and electric-light monopoly, and, with proper modifications of names and figures, it will

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serve as the history of every public-service monopoly in the country. It started with an investment of $25,000. For a few years it had competition, during which rates were reasonable and service good, without any sort of municipal control. Then, this being the strongest company, it absorbed the others. Having thus gained a monopoly, it raised the rates by rapid strides, and thus accumulated enough money to pay the original cost of all the plants, in addition to paying dividends at the rate of from twelve to sixteen per cent. It then created a bonded indebtedness and borrowed $10,000,000, with which, without cost for franchises, it greatly enlarged its works and entire system, meantime replacing its old material with new and replacing old processes with modern. The franchises, which were obtained by the grace of subservient predecessors of the present officials, did not cost the company one cent that ever went into the city treasury, and yet they figured for millions of value as security for loans. Thus the original plant was paid for out of the profits, besides paying the dividends before enlargement, and the enlarged system was paid for with the money borrowed on the bonds. Two important facts appear. First, the property represented by the stock, and upon which dividends are now and have always been paid, did not cost the original holder one cent; second, the lenders of the money for which the bonds were issued considered the franchises as their most valuable security, and knew that unless the monopolistic status of the company could be maintained they had no adequate security. But in assuming its continuance they took chances upon all future city governments being corrupt or stupid and indifferent to public interest. This follows: If the people have enough energy and self-assertion left to crush party machines and elect a city government of courageous and honest men, the city government thus elected will feel no moral

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obligation to guarantee dividends, or betterments, or interest on bonds, or repairs, or expenses. They will acknowledge no obligation except to the electorate, and will seek to solve one problem only—how to obtain all required public service at the lowest price. To that end they will take immediate steps to construct municipal works, using the streets to the best advantage, and profiting by all recent discoveries in economizing production and all improvements in mechanics. If the existing monopoly will, pending the construction of a municipal system, offer the commodity at a greatly reduced price, very well; if not, let it shut down and sell its pipes and machinery as scrap iron, or make a dicker with the city to take it over at what it would cost to buy the material in the open markets of the world and put it in place, allowing nothing for monopoly status, nothing for franchises, nor considering the views of bondholders or stockholders as to the value of their holdings. These terms may appear harsh upon first impression, but let us analyze the relations of the parties. Let us place the city where it ought to stand as a wholesale consumer of a commodity of common necessity, just as a large manufacturing plant is a consumer of iron. In the illustration we will suppose that one iron company has enjoyed its custom heretofore, but it finds that it can now do better by placing its orders elsewhere. Would it be under any obligations to investigate, or in any way would it be bound to consider the proposition that by making the change it was depreciating the security of the iron company's bondholders, or endangering the profits (dividends), or destroying the value of the titles (stocks) of its owners? To hold otherwise is to hold the manufacturing company to the responsibilities of an insurer of the property and guarantor of the profits of the iron company, a proposition which would fail of support in law and in morals, and

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be considered absurd and nonsensical among business men.

Let us view it from another standpoint. There is in San Francisco a money lender who lends money on real estate, while another lends to a gas company. Where is any obligation of the city at large to insure the one any more than the other against a depreciation in value of the security and loss of interest? So there may be stockholders in a corporation owning a dry-goods store and the stockholders of a gas company; why should the people at large be taxed to give a profit to the owners of the gas company and not to the other corporation? If the latter were attempted, the socialists could have a better ground for objecting than the class who usually object to municipal ownership on the score of its socialistic tendency. The real attitude of the latter is that of defenders of special privilege, and not that of anti-socialists. These illustrations and deductions hold good with reference to all other rate-fixing propositions, whether in San Francisco or elsewhere. Any business man would like to invest $10,000 in property and receive two and one-half times the profit enjoyed by his neighbors who have invested the same amount and have all his neighbors and business rivals guarantee such profits. Here is the gas- and electric-light company given that advantage on a large scale by the favor of the municipal government.

III. *Instances of overcapitalization and high rates*

The United Railways of San Francisco in the year ending December 31, 1904, showed net earnings of $2,664,507. Out of this sum $1,533,415 was distributed for interest, $257,052 to sinking funds, $600,000 in dividends, and $161,353 for depreciation of equipment, leaving a surplus of $143,357 from one year's opera-

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tions. Here we see the financial scheme of the company to be such that while the requirements of the sinking fund, created for getting rid of the indebtedness, are satisfied with a little over a quarter of a million dollars, more than twice the amount is withdrawn as dividends on watered stock. And yet one of the leading papers of the city, in which these figures were published, congratulated its readers on the prosperity of its street-railway system.

In San Francisco the movement for a municipal water supply must soon reach a practical result. The existing monopoly is actively preparing a scheme to more firmly fasten itself upon the people and force them to furnish an income on a capitalization of $56,000,000, more than one-half of which is pure inflation.

Another illustration of the enormous abuses of over-capitalization is seen in the case of the Chicago street railways. Experts have shown that the tangible assets of the Chicago street railways, now about to be taken over by that city, are of a value not greater than $27,000,000. And yet they are capitalized at over $110,000,000. The stock alone, which may all be considered as representing water, or excess of capitalization over cost, is given a combined valuation in recent quotations on the New York Stock Exchange of $80,000,000. And this represents only the two chief companies. The citizens of Chicago are to-day involuntary guarantors of dividends on this exaggerated valuation. What would they say if, upon a consolidation of various retail mercantile establishments of the city into a department store, they were called upon to guarantee to each of the consolidatory firms the same profits out of the new concern that it realized before the consolidation? And yet that would be no more unreasonable than the claim put forward by the stockholders of Chicago's traction companies, and of stockholders of public-service companies

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generally, that governments should place valuations upon properties that will insure them against loss.

No wonder Interborough stock is closely held by the Belmont-Rothschild syndicate at 150 to 200. They expect to receive at least fifteen per cent dividends. What did the stock cost them? Not one cent. Remember, the Subway was constructed with money borrowed on the credit of the city. While the New York "conservative" newspapers were filling their columns with accounts of monopoly abuse in Kansas and the efforts of the Kansas Legislature to throw off the Standard Oil incubus, they might have given good reasons for a similar movement nearer home. Notwithstanding the fact that the stock of the Gas Trust (a Standard Oil asset) is two-thirds water, it annually extorts enough from consumers to pay ten per cent dividends and is accumulating a vast surplus. Last year it passed over to the surplus fund enough to have paid an additional dividend of ten per cent. The stock of the Electric Lighting Trust (also a Standard Oil asset) is largely inflated, and yet it collects one hundred per cent annual profits. The rates for electric lighting in New York are, all things considered, higher for small consumers than in any other of our large cities, although, on account of the topography, cheapness of production, and magnitude of consumption, they should be less than in any city. It was developed in the investigation of the Gas Trust of New York City that the Consolidated Gas Company buys most of its gas from subsidiary companies, paying for it from thirty-six to forty cents per thousand feet and selling it to its own consumers at $1 per thousand. Of course the subsidiary companies realize a handsome profit, and the sixty cents per thousand realized thereon by the trust is nearly all clear profit, since its only expense is that of pumping through its mains and the cost of management. Could municipal ownership in the

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crudest form imaginable be a heavier burden on the people than that imposed upon them by the trust?

Mr. Andrew Carnegie advances the argument so often advanced by the advocates of the single tax. In a recently published interview he said: "A franchise in New York, for instance, is made valuable by no individual and no corporation; she makes it valuable by her own growth, and the benefits therefrom belong to the city. So with gas and electricity. I do not know any town or city in Great Britain which does not own both."

For a full service of 5,000 telephone calls the New York subscriber pays $246 per year, which is considerably more than is paid in any other city. And in the collection of extra fees from subscribers for connections between different parts of the same city nothing is found to equal the extortion practiced by the New York monopoly. Competition has reduced telephone charges in some cities, though it is a peculiarity of the business that where there is more than one company operating in the same city, one must keep the receivers of both or all in order to have the benefit of full telephone service. It is one instance in which there appears to be essentially a genuine public convenience and economy in monopoly, and for the same reason the business should be in the hands of the municipality. In Great Britain, the telephone is municipally owned and conducted in many cities, including Glasgow, where the charge for unlimited service is $26.25 per annum, with a surplus of $10,460, after providing for interest on loans and operating expenses. Why do not New York and all other American cities become aroused to the necessity for action toward the overthrow of this—the most exacting and tantalizing despotism?

The people have learned that no honest motive is behind stock-watering by a public-service corporation. It is done in order that the surface of the capital may

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be broadened, and that a large dividend may be spread out over it very thin and thus appear small. Such companies sometimes use a large part of their receipts for the purpose of additional land and other property that is not presently needed, but is considered by them necessary to buttress their monopoly. Then they declare a small dividend, and plead poverty and meager income in order to obtain a raise of rates. And it is much to be regretted that even honest aldermen, supervisors, railroad boards of regulation, and even the public, are often deceived by such practices. Thus three or five per cent a year is the profit the public sometimes believes a monopoly is earning, when in fact it is fifty or one hundred per cent on the investment.

IV. *Swindling through false meters*

The rigging up of the gas meters and mechanism for measurements of gas and electricity supplied is a fine art. None but experts understand or are capable of understanding their workings. The people delude themselves into the belief that a municipal ordinance fixing maximum rates for these services is a barrier to extortion, except that they believe the maximum so fixed is too high. So patient and credulous are consumers that they refuse to believe that burdens are being laid upon them equal to twice and sometimes five times the amount which such ordinances sanction. And yet not a cent is *apparently* charged, according to the mechanism furnished by the companies, above the legal rate. If a laborer out of a job is charged with stealing a coat or a soup joint, the same consumer, and even those of the same class as the accused, are ready in advance to assume his guilt. Yet when their gas- and electric-light bills are inflated to an extent that materially diminishes the profits of business, or even necessitates a curtailment

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of orders on the baker or butcher, they must submit with the best possible grace, being in fear that if they kick up a row with so powerful an institution as the monopoly in question, even more serious results may follow than the extortion and swindle thus practiced. And though the perpetration of the fraud continues from month to month and from year to year, the consumer strives to divest his mind of the disturbing thought that men so powerful financially and so respectable socially as the monopolists would lend themselves to an outright scheme of grand and petty larceny. The stealings of the New York Lighting Trust have been shown up from time to time in the press of that city.

A thorough exposure before a public body of the San Francisco Electric Light and Gas Company has occurred in but one instance, and is of sufficient importance to warrant a brief account of it here. It was conducted before the Grand Jury in April, 1905. A general practice of managing the meters and electric measuring apparatus so as to give false registration was exposed. A carefully prepared and verified report was filed by an expert and many witnesses were examined. That the fraudulent imposition was not occasional merely, and hence attributable to the dishonesty of a few employees, but, on the contrary, was a universal swindle, concocted and put in general operation by the management, is evident from the great number and diversity of the instances shown, as well as from the method adopted, which was such as could only be operated with the connivance of those in charge of the general offices of the company. Among the most important of the witnesses was Henry T. Sessions, an electrical engineer, whose business was the inspection and testing of meters for patrons of the company and for gas and electricity consumers generally. His testimony was carefully prepared and backed up with data covering a con-

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siderable period of time. He stated that he had tested hundreds of meters throughout the city and had already compelled the return of thousands of dollars to his employers on his showing of overcharges made by scientific proofs that their meters were registered falsely. He submitted his scientific data and proofs showing that in some instances the meters of the company had been made to run as high as 105 per cent too fast. He also submitted positive evidence that the company instructed its employees to "fix" the meters so that they would register a quantity of electricity consumed far in excess of the actual amount.

But it was also shown that false meters are not the only device for swindling consumers. The company was shown to have resorted to unique and skillfully worded contracts for electric lighting which consumers were compelled to sign before the company would agree to supply them with the commodity at any price. These were termed "minimum contracts," which bound the consumer to pay $1.50 per horse-power for the current used, with a stipulation that he would be charged "at least" a certain sum. In this way the city ordinance was flagrantly violated and an amount as high as five times the amount fixed by law often collected. The expert proceeded to describe how by an ingenious trick, worked by merely turning a screw in a manner not to be detected by the lay mind and eye, the meter was made to run correctly during the supposed test. This being concluded, the machine was set to work so regulated as to register falsely in the office of the company before being installed. He explained that the operation of a meter is a closed book to the average mind, and that it was practically impossible for the consumer to detect the deception, so cleverly is it worked. The amount of money thus obtained by this, the meanest of frauds and false pretenses, in that one city can, of course, never be

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known. The practices of that company in that city, it is safe to assume, are no worse than in other cities where Standard Oil interests dominate in ownership, nor, probably, than those of companies in other cities. The people have the remedy in their own hands. What will they do? The imposition of the stamp tax by King George, for which the colonists went to war with Great Britain, was not nearly so intolerable nor a tenth of the magnitude as affecting individuals as is this monopoly swindle. After having more than a "square deal" at the hands of consumers acting through their supervisors, and being accorded a high rate, it inaugurates and no doubt perpetuates a scheme of petty larceny on a grand scale and grand larceny on a petty scale which should send everyone connected with it to State's prison. If public officers did their duty, and if people asserted themselves along proper political lines, there would soon be no thieving monopoly in San Francisco or elsewhere to transfer their earnings by wholesale schemes of robbery and extortion to private coffers.

That the hands of the party boss and monopoly are joined against the public interest in New York is evident from the fact that the lighting monopoly practices its extortions without official restraint, although the laws have provided for the inspection and correction of overcharges. In the matter of electric lighting the customers of the trust are utterly unable to determine whether or not they are actually being given the amount of power for which they are charged. The lack of confidence in the integrity of the meters is widespread, but from their records there is absolutely no appeal. While there is a provision in the charter of Greater New York for the inspection of electric as well as gas meters, it is a dead letter. No appropriation has been made to meet the expense of employing inspectors, and complaints to the departments of water, gas, and electricity

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fall on deaf ears. The official who would properly have charge of the matter under the charter recently stated in a published interview that the department had never been able to get an appropriation to carry out that provision of the charter, although it is mandatory that such inspections be made. The State Gas-Meter Inspector declared that he had no jurisdiction, that the consumers were without redress, and added: "It is a shame that it should be so, but that is the situation."

During the investigation by a legislative committee in New York City, in April, 1905, Prof. William Hallock, occupying the chair of physics at Columbia University, recognized as one of the greatest authorities, gave sworn testimony on this very point. His testimony was alone sufficient to have convicted the gas monopolists of false pretenses and violation of the ordinances as to the quality of gas. He showed conclusively that consumers' gas bills were increased by means of abnormal pressure through the meters. These acts, which have been often charged, have been proved. The professor had thoroughly tested the gas many times. His tests showed that the gas furnished rarely came up to the twenty-candle-power standard required by the city ordinance, and that as the candle-power was diminished the pressure was increased, with the result that the bills must have been increased from fifty to one hundred per cent.

V. *Workings of the boss and monopoly régime in particular cities*

Before going into the subject of the exploitation of the people of New York by the community of interests made up of monopolists and party bosses, let us take a glance at this great permanent concourse of citizenship which submits to so arbitrary, mercenary, corrupt, bold,

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and infamous a combination. Of course no adequate description of this peerless metropolis can be given; only a few aggregates. A few of its residents—all of whom are tax dodgers—are worth from $50,000,000 to $500,000,000, and from three to four thousand are worth over $1,000,000. Below the million mark are several thousands, also mostly tax dodgers, who may be rated as moderately wealthy. But the great mass of the people, those who do most of the voting and upon whom all public burdens bear heavily and cannot be evaded, are poor, many of them miserably poor, and a large majority of these are the complaisant servants of partisan boss rule. The wealthiest of the millionaire class maintain palaces in New York in which they actually reside, but have acquired nominal residences in Connecticut, Vermont, New Jersey, and "up-State," in order to escape taxation. These are the holders of the public-service systems. So it is seen that while rich streams of revenue from the earnings of wage-workers, and from the profits of all business, constantly flow into their coffers, they are not directly affected by municipal corruption and extravagance, though largely responsible for it; nor are they concerned as to any of the forms of vice, immorality, and crime, accounts of which in the daily press afford educational matter for the reading public, incidentally diverting the public mind from the greater crimes of the plutocrats, and leaving the ordinary citizen in an unfit mental and moral condition to grapple with the greater reforms so much needed, such, for instance, as municipal ownership. Many of the other millionaires, and some who are only moderately wealthy, evade the payment of taxes by committing perjury.

New York City, before Brooklyn, Bronx, and Richmond were consolidated with it into Greater New York, occupied Manhattan Island, a strip practically inclosed by sea water and inland waters, an average of one mile

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and a quarter in width and eight and one-half miles long. The accessions made by the consolidation need not be described. Manhattan contains a population of about two millions and the other boroughs an aggregate of about one and a half millions—altogether 3,500,000 actual inhabitants. Besides, there are at least a million whose principal business or work is in New York, but who reside in suburban territory. Many of these have more or less property in New York.

The glories, the wonders, the riches, and magnificence of New York have been proclaimed and described with tongue and pen in every foreign land and in every nook and corner of the American continent, and herein the truth so far exceeds report that it can never be fully known without actual contact and personal view.

The suburban cities uniting with it to form Greater New York are themselves great cities. So that whatever directly concerns the municipal control and management of Greater New York affects and should concern between six and one-half and seven millions of people. Now the resident of the United States remote from the great metropolis, who has not studied its municipal problems, nor the instrumentalities nor the methods pursued by the political machines in control of its affairs, nor the practices and charges of its public-service corporations at close range, is apt to come to New York to study them, with several innocent delusions, and to be doomed to several disappointments. He has reasoned it out, upon probabilities, that a citizenship so skilled in private finance has not allowed franchise property of such enormous value as the right to occupy its streets for railway, lighting, and telephone service, to go into private hands at all, or, if at all, not without adequate and substantial returns to the city. He takes it for granted that charges for gas and electric light and for telephone service must be reasonable, for are not six or

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seven millions of intelligent, virile people continuously using, and other millions annually visiting the city compelled to occasionally use, them? He also takes it for granted, and upon the same line of reasoning, that the service must be strictly first class; that while going from one point to another in the considerable territory occupied with the business and residence of so many people one may for a nickel not only be exempt from danger of all forms of violence, but be provided with a seat; that the light in his room will enable him to read, and that the advent of the light will not endanger his life because of noxious and deadly odors accompanying it, and that telephone service is prompt, efficient, and courteously accorded in consideration of a reasonable rate. The first surprise met with will be when he finds all these branches of public service in private hands. He cannot go anywhere, even in such discomfort as attends street-car service in New York, except by leave of, and upon payment of tribute to, a private monopoly. If he rents a house or an apartment, he must submit to the most outrageous extortion at the hands of another private monopoly, or live in darkness. Having once permitted the company's pipes and meters to be installed, he must pay not merely for the number of cubic feet of gas that he consumes, but for the amount that the monopoly's agents think he ought to consume. If he closes his house or apartment temporarily and goes out of the city for a week or for several months, a bill is presented upon his return for the same amount per month he would have paid had he not absented himself, and payment demanded under penalty of having the supply permanently cut off. The gas supplied him is of the cheapest possible production and of the poorest quality. As it exudes from the pipe there is also emitted an incombustible substance most deleterious to the health, affecting the lungs and eyes; the light produced is dim

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and unsteady; the flame is not white, but red. It is made by a new process, water and certain poisonous chemicals being the principal ingredients, the cost of production being merely nominal. Experts have estimated that its manufacture does not cost more than twenty-five cents per thousand feet. The rate for it, fixed by the city authorities, is one dollar per thousand. But, as before stated, the meter supplied by the gas company, which is a Standard Oil property, is a swindling device, a mere pretense of complying with the ordinance, and a peg upon which to hang false pretenses in the shape of overcharges. The meters are, by some secret mechanism, made to do duty all the time, whether any gas is used in a house or not. When once installed in the home of a consumer, he must continue the payment of gas bills at the dead level extortionate rate, regardless of the quantity consumed. If he should increase consumption, of course the rate is measured proportionately. If he refuses to pay a bill, the supply is shut off and he is blacklisted, and can obtain no more gas without settling all unpaid bills. Thus the monopoly in what may be called the very center of civilization exercises more power, and exercises it more mercilessly, than any pirate crew that ever exploited the commerce of the world. Being a soulless corporation, it cannot be arrested for grand or petty larceny, and as it has the power—perhaps the documentary evidence—with which to impeach and ruin every city officer who does not acquiesce in its high-handed career of crime, the criminal statutes, "in such case made and provided" against extortions and swindlers, are dead letters.

The Czar of Russia impoverishes his subjects by heavy tax burdens, but he resorts to no false measures, and the taxes are used, ostensibly, at least, for public purposes. But the gas monopoly, allied with a corrupt city government, placed and kept in power by a corrupt

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organization, thus exercises and abuses a power differing in no material respect from the taxing power, except that it visits upon the delinquent ratepayer a penalty more severe than any free government has power to visit upon a delinquent taxpayer. And the vast sums thus extorted go into the coffers of John D. Rockefeller and his associates of the Standard Oil syndicate, less such sums as may go to party leaders under the terms of the treaty existing between the financial tyrants, party of the first part, and the political bloodsuckers, parties of the second part.

The practices of the electric-lighting monopoly are equally dishonest and more difficult of detection. Its agents do not hesitate to enter private premises without asking leave; they string their wires over the roofs of houses, attach them to fences and other fixtures with as much impunity as if they owned all the property in fee simple. If a property owner or a lessee should cut or detach one of these wires, a subservient policeman, holding office by the grace of a political boss, would arrest him, and, if a user of electric light, he would be blacklisted until he consented to a replacement of the wire.

All that is above stated with reference to the electric-lighting monopoly holds true as to the telephone monopoly. Telephone service, in fact all public service, could be furnished more cheaply in New York than in any city on the continent. The charges for use of the telephone between points on Manhattan Island is the flat rate of ten cents per call, and between Manhattan and the other boroughs of Greater New York, and between boroughs generally, is twenty cents per call. The rate is just double the rate in other cities and the service equally unsatisfactory.

The enormity of the crimes committed by municipal bodies against the aggregate citizenship is sometimes so great that it is impossible to fully portray it because

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of the absence of a standard of comparison of sufficient magnitude. The New York Rapid Transit Commission, which was given control of the first great Subway scheme, were men of high rating in the world of trade and finance. Having almost unlimited authority and control of the city's credit to the amount of hundreds of millions, if so much should be needed, what an opportunity was here afforded for service to the people, which they might begin to enjoy within two or three years and continue to enjoy to the remotest period of time. What did the Rapid Transit Commission do? They actually issued the city's bonds, bearing 3¼ per cent interest, a rate which insured their sale above par in the open market for enough to construct the Subway, sold them at par, and then gave therefor to the Belmont-Rothschild syndicate, which took the bonds at par, the use, free, of the Subway for fifty years. This was done because, forsooth, the highly respectable, mossback, ultra-conservative commission held in disfavor anything that might have even the appearance of, or might indirectly give countenance to, the theories of socialism. And so they gratified their little, narrow, class prejudices, saying neither yea nor nay to the people, at the people's expense, to the known extent of $50,000,000 and to an incalculable extent in addition.

The Belmont syndicate operating the Subway are exempt from taxation on the property used in its operation during the fifty years, at least, in which they are to use it. They are guaranteed against any reduction from a five-cent fare, no matter how much the traffic may grow and profits increase. The city also assumed the payment of all damages to abutting property owners—a considerable sum. The Subway people pay about 3¼ per cent interest on the money furnished by the city to build the Subway, and pay one per cent per annum into a sinking fund. The city must purchase, at a fair

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valuation, rolling stock and other equipment at the end of the contract term. There is a question whether the contract terminates at the end of fifty or continues seventy-five years. If the thief who taps a till deserves the punishment he receives, what ought to be done to the Rapid Transit Commissioners? In less than six months after the opening for business of the Subway all New York was in a veritable frenzy of excitement about a few gambling dens and irregularly kept lodging houses, and various members of the police were being made to "walk the plank" for remissness of duty or because suspected of petty grafting; but the great crime of the Subway had almost faded from the popular mind. About the same time the raising of rates to the amount of a few cents per trip by the Long Island Railroad Company resulted in mass meetings, protests a yard long by the patrons of the road, and hundreds of columns of the screechiest kind of yellow journalism in the winter months of 1904–5; but not a meeting was held, not a resolution presented, scarcely a line of criticism relative to the biggest steal ever known in the whole history of municipal misgovernment. Should one be condemned as an agitator if he suggested to the people that they wake up?

That private monopolies of public service are responsible for most of the corruption seen in municipal government is clearly demonstrated in Philadelphia. The people there have been robbed of many millions in exchange for bribe money paid to a corrupt and tyrannical political machine which has for many years completely disfranchised the rightful electorate and fabricated majorities for its nominees. The street-railway franchises were corruptly disposed of to private corporations years ago. The city was once the owner of a lighting plant, but seven years ago it was robbed of that. The corporations purchased the requisite votes in

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the municipal council and procured a thirty years' lease of it, in spite of public protests. By the terms of the lease the city received a percentage of the returns on the consumption of gas. Recently this percentage became a larger annual aggregate than the lessees had expected, and they determined to have it abrogated, and to have for private enjoyment a richer gas loot, regardless of public right. When what was proposed became generally known there was a storm of popular protest, which was coolly ignored. The terms of the lease provided that the city might terminate the lease at the end of ten years. The citizens demanded of their municipal Legislature that this option be exercised. Instead of heeding that demand, a proposition of the corporation to pay $25,000,000 for a seventy-five-year extension of the lease was jammed through the council, while the police force of the city freely used their clubs upon the citizens who were present making noisy objections.

But what honest public sentiment can do when fully aroused has been recently demonstrated in Philadelphia. The scheme of the corrupt political ring has been entirely defeated by a resolute mayor, backed up by a popular uprising.

Blind and fanatical partisanship on the part of the people of Philadelphia in former days is responsible for their recent helplessness in the hands of bosses and private monopolies. As they permitted these twin tyrants to ascend to seats of power and gave them the opportunities which they have so ruthlessly used, one's first impulse is to withhold commiseration. But, as the matter stands, Philadelphia is something more than a bad example: it is a warning. Steffens, in "The Shame of the Cities," shows that corruption there has run its full course and gone down to the roots of representative government, that the law-abiding people of that

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city have been actually disfranchised, and that elections are carried by stuffed rolls and dummy votes. This is not merely the last stage before the end: it is the end. No wonder the clergy there are summoning their flocks to prayers for civic salvation. Woe to the Republic when the Philadelphia situation shall be duplicated in other cities. It is a matter which deeply concerns Americans everywhere. It is a leprosy which must be stamped out before it spreads. If the party bosses and monopolies shall once succeed in wholesale disfranchisement of the electorate of the cities and States the word "Failure" may be inscribed upon the record of democratic government. Our transformation to corrupt despotism will then be complete.

There was a time when business and employment in the city of Chicago could seldom be obtained without the consent of monopoly agents in and out of public office. The public-service corporations shirked taxation by open and wanton bribery of boards of taxation and equalization, and large individual taxpayers evaded their share of public burdens by bribery added to perjury. The practice grew into an established habit, and a false affidavit was made before a deputy assessor with as little compunction as any conventional lie could be uttered. To be elected to the office of assessor was the ambition of all "thrifty" politicians because it meant retirement from office with a fortune, and a deputyship in that office was even better than being an alderman. But the darkest hour precedes the dawn, and did in the case of Chicago. The political and economic philosopher, in judging between the comparative capacities for self-government of the people of various large cities of the United States, must give the highest tribute to Chicago. The people there have recently shown that they have not by any means been subjugated by King Monopoly and the high priests of corruption known as party bosses.

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They recently, on the first Tuesday in April, 1905, elected a municipal ticket headed by Hon. Edward F. Dunne for Mayor, on a platform setting forth a complete plan of procedure to acquire and put in force immediately municipal ownership of all street-car lines. The people there have defied their libelers, the editorial writers, who so often have accused them of incapacity for self-government in matters of most vital importance to their welfare. They have likewise spurned the jibes and threats of political rings that have feasted and fattened so long upon the fat bribes of municipal franchise carcasses. They have refused to be dismayed and fooled by the "high-class and conservative" class, who have heretofore managed to hold majorities for the old corrupting system of private ownership by substituting for arguments denunciations of public-ownership propositions as "dangerous delusions" and "socialistic vagaries." They have set an example which will surely be followed in other cities, and within a few years the cities of New York, Boston, Philadelphia, St. Louis, New Orleans, San Francisco, and others will be operating successfully not only their own water and lighting plants but their means of urban and interurban transportation. By the victory in Chicago the first stronghold of the wealth-buttressed and prejudice-incrusted enemy is taken and others are being rapidly undermined. The veterans in the once weak and scattered but now strong and concentrated army enlisted for progress and true democracy may now rejoice, for one great battle is won and the ranks of the enemy are being thinned in all directions, the deserters coming over in squads, companies, and regiments. The great conquering hosts of freedom will now take up the task of removing the yoke of interstate transportation worn so long and which has become so heavy that it can be no longer borne. Education on the subject of public

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utilities has been so general and thorough that little more is needed than to organize and agree upon the lines of procedure.

VI. *Gigantic absorption contemplated by the North American Company*

One of the despotisms of which we speak rises superior to interstate commerce. It is the North American Company, formed to absorb the local monopolies of every State and city and directly control the operation and management of street railroads. It carries trustification a step beyond anything generally known among the people. Having legal sanction in the laws of New Jersey, and not having to do with interstate traffic, it is beyond the reach of any statutes that Congress or the Legislature of any State can constitutionally enact. It does no mining, manufacturing, farming; does no mercantile business. It has founded a new department of human endeavor, namely, *interstate finance.* Among its other powers is "the power of interstate finance and management without the legal restrictions of interstate transportation and commerce." Such a company undoubtedly has the power, by the mere chicanery of finance, to unite any number of public-service corporations engaged in the same or different lines of business under its control, and thus evade statutes and charter provisions forbidding the consolidation of corporations.

There is no doubt that the Standard Syndicate which already controls New York's gas- and electric-lighting industries, and has its wire conduits in the streets, can, when it gets ready, acquire and bring under the same managing control the Metropolitan, Interborough (Subway), and Brooklyn Rapid Transit interests. There is little room for doubting the controlling interest of Standard Oil in the North American Company, which

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has accomplished much in the way of absorption already. With a capitalization of $22,000,000, which may be expanded without limit, it has obtained control of enormously valuable street-car franchises in four cities of an aggregate capitalization of $138,558,350. It is patterned closely after the Northern Securities Company, but avoids the shoal upon which the latter was wrecked by the charter restriction above quoted. The cities invaded by it thus far are St. Louis, Milwaukee, Detroit, and Cincinnati. In St. Louis, for instance, it has now acquired all the gas, electric light and power, and nearly all the street-transportation interests. Here is seen a system of monopolies within a superior monopoly, the creations of a foreign potentate, as it were, having no local responsibility or interest, the local owners disappearing as such, and reappearing as mere agencies for a higher power. The capitalization of the dominant company is comparatively small, but it is sufficient for the present purpose, which is the holding of stocks in trust for the subordinate monopolies and the operation of them as one from a central source.

Undoubtedly one purpose, carefully kept concealed, is the political control of elections and local government, the unification of interests thus secured vastly augmenting the political and manipulating powers of the monopolies. The plan also twice removes personal responsibility of the parties really interested for any misdeeds and crimes committed in maintaining monopoly prices and privileges. What a vast concentration of financial power and wealth is here shown! Four large cities already subjugated and the future acquisition and activities of the trust unlimited! All the people of these and of the cities to be hereafter invaded to pay tribute to a corporation formed under a foreign power, in no way subject to visitation by their own State courts. There is just one avenue of escape from such

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a condition, and that is municipal ownership. Why are there such laboriously contrived schemes, such overreaching, such pledging of credit beyond ability to pay, and such capitalization beyond values? Why the doing of so many things that men could not be induced to do for the attainment of any other mere business end, where the thing aimed at is control of public-service monopoly? Simply because such enterprises are, so long as private ownership is tolerated, perpetual, automatically acting, profit-paying enterprises; because the courts long ago in the interest of monopoly established a rule which made governments, that is to say, the people, the primary underwriters of all such monopolies, bound to pay such rates and tolls as would yield them a profit, no matter if every person engaged in other lines of business were forced into bankruptcy under the stress of competition; and because the courts have recognized the application of certain presumptions, rules of evidence, and methods of calculation in fixing valuations of monopoly-owned properties which justify rates and charges that yield profits much greater than can be realized on the same amount invested in other lines of business. There is just one place where these judicial opinions can be reversed and justice attained, and that is at the ballot box on propositions for public ownership.

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CHAPTER VI

ADVANTAGES OF MUNICIPAL OWNERSHIP—OBJECTIONS CONSIDERED

In one way or another enough franchises, street privileges and easements, exclusive rights secured by public law, contracts, and other property have been transferred, without consideration to the people, from the common stock of the public in the United States, to have constructed and equipped all our large lines of steam railway, all the street railway and gas and electric plants in the country. It is the right and duty of the people to take for public use, at what reasonable price men consider a fair valuation under all circumstances, the public property now in the hands of the corruptionists, and inaugurate government use and ownership. The people will at the same time save themselves from incalculable loss, and in a measure arrest the decay which has permeated society from top to bottom and from center to circumference.

It is indeed difficult to understand the attitude of the average citizen toward what may be designated as wholesale extortion in view of his intolerance of lesser imposition. If, for instance, a policeman should order the removal of some harmless and inoffensive incumbrance from a sidewalk in front of his store, he would loudly protest and rave against the police department. If some clerk in a municipal office should embezzle a few dollars, thereby injuring him as a taxpayer to the extent of one-hundredth of a cent, he would very properly

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insist upon the discharge and prosecution of the unfaithful servant. But in the same town is a water company which charges him two prices for water, amounting to an extortion of several dollars each month; a gas company whose fixed prices are exorbitant, and not only so, but which by fraudulent meters duplicates the exorbitant prices, to his loss of many dollars annually; a street-railway company, earning dividends equal to a high rate of interest on many millions of dollars never invested, and which also enjoys exclusive occupancy of all the principal streets. To the revenues of such a company our average citizen contributes in the form of five-cent fares, which might be less and still produce a large profit on actual investment. Then there is a telephone company whose service is wretched and whose charges are also exorbitant. He submits, with a bad grace, it is true, but still he submits, to all these oppressions, which drain his resources, and leave him but a narrow margin of profit to be divided between himself and the "duly elected and qualified" tax collector.

The recent Chicago election shows what may be done when the people are thoroughly aroused to their own interests. It has not only gone far to settle the fate of private ownership of such utilities as water, gas, electricity, and street railroads in municipalities, but has set many minds to asking themselves or their neighbors the question, "Why should not our national Government own and operate railroads and telegraph lines?" Chicago has, as a result of its recent election, established a reputation for progressiveness all over the United States, and Dunne's election on a positive unequivocal platform for municipal ownership of street railways will cause a general movement in that direction in all the other cities where boss rule has not so firmly fastened its tentacles upon the body politic

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as to render progress impossible. But even the worst boss-ridden community will not lose hope, and of this Chicago is itself a valuable lesson; indeed, the whole issue rests with the people everywhere in the cities and in the whole country. Let us hope that the declaration so often made that "in the long run the people always do the right thing," is not a delusion. Dr. Samuel Johnson said, "Patriotism is the last resort of scoundrels." He would have come nearer the truth if he had said that it is their first resort. With what a wonderful showing of loving-kindness, fairness, and disinterestedness do some of our editorial writers and contributors review and comment, marshal facts and arguments, and strike a balance always on the side of monopolistic, corrupt, private ownership. How often have we seen the formidable political boss and his companies, regiments, and armies of office-seekers, ward bums, and heelers, all at once become prophets of evil and sticklers for economy and purity in the administration of municipal government! But the people are learning to study motives and the interests and environments of individuals. Let them beware of the Greeks bearing gifts.

The proper attitude for the people of each city to assume with reference to the principal public utilities is ably expressed by Dr. John H. Girdner in a recent article in *Tom Watson's Magazine*, entitled "Franchise, Wealth, and Municipal Ownership," having reference to New York, and it is largely applicable everywhere, in which he says: "Talk about municipal ownership! Why the municipality, which is another name for the people, already own everything they need. They own the streets and the right of way through them, and they own the money to build lighting plants, railways, and telephone lines. The only thing they do not own is *permission* to use their own property. And this is

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withheld from them by greedy trust magnates through their bought-up politicians. We need *men* in this city who cannot be deceived by the *names* democracy and republicanism. We need men who will stand together and protect our franchise property against grafting politicians and grafting political organizations, no matter by what names they call themselves. New York City may be likened to a big 'skyscraper' laid on its side. The streets correspond to the elevator shafts. Now, what would be thought of the sanity of a company of men who built a high office building, hotel, or apartment house and allowed their agents to give away to outsiders the right to run the elevators and the further right to prey upon the tenants who are obliged to use them? Yet this is exactly what the politicians have done and are doing with the streets of this city. Make an inventory of the Gas Trust's property, find out how much it would cost to duplicate its plant, then subtract that sum from the capitalization of the trust, and the remainder is franchise property, and that belongs to the people. Go through the list of telephone, telegraph, and railway companies the same way and you will begin to get an idea of the value and earning capacity of your franchise property, which has been stolen from you by your agents the office-holders."

The true relation of the individual owner upon whose property is superimposed the use and occupancy of a street railway, or gas mains and pipes, is little understood, hence the vague and confused notions concerning the nature and value of the concessions or franchises that have been given to them. This is cleared up, and such true relation very aptly shown by the writer just mentioned and in the same article, as follows: "When you buy a house and lot in a town or city your property is of two kinds, private property

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and franchise property. Your private property begins at the building line in front and extends backward the full width of your lot to the fence or line which divides your back yard from the back yard of your neighbor who fronts on the next street. Your franchise property extends from the building or stoop line, outward, the full width of your lot, across the sidewalk, and on to the middle of the street, where it meets the franchise property of your neighbor on the opposite side of your street. The money to grade, drain, and pave the street in front of your lot was raised by assessments levied on that lot. These assessments were added by previous owners, perhaps, to the cost of the lot and were a part of the price you paid for the lot. In other words, you bought and paid for the franchise property in front of your stoop line as directly as you did for the private property behind the stoop line, and you are therefore entitled to the usufruct of the one as much as the other. The aggregate of the franchise wealth of all the individual owners in any given street is the sum total of the franchise wealth of that street. And the aggregate of the franchise wealth of all the streets of a given town or city is the sum total of the franchise wealth of that city. And it is absolutely owned by all the inhabitants of that city, for everyone contributes in some manner to the creation and maintenance of this franchise wealth. There is another thing about this kind of property which the people ought to keep in mind. Like their private property, their rights in this franchise property extend from the surface right down into the earth, as far as it is practical to dig; and from the surface right up into the sky, as high as it is practical to build. It is well, I say, to keep these facts in mind; they may come in handy when a corrupt mayor and board of aldermen, or an eminently respectable board of rapid transit commissioners, are about to

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hand over to a private corporation a city subway or elevated road."

The fear so often expressed by the overcautious that government ownership is an experiment fraught with danger would not exist if they would inform themselves of what has been done and is being done in cities where it has been tried. A frequent basis of opposition is the fear that a new source of, and inducement to official corruption will be thus offered. Objectors on that ground should reflect that the greatest source of corruption in municipal government arises from the secret sale of public franchises and the interests of public-service corporations in the fixing of rates so high as to yield large dividends on watered stock; and in the Federal Government it is the vast railway interests always seeking to prevent interference with their abuses of special privilege. So long as these interests remain in private hands, so long will these incentives to bribery exist, so long will men desiring to be bribed seek and obtain election to office. When these powerful interests are eliminated from politics, the occupation of the party boss will be practically gone, and it will be easier for honest, self-respecting men to obtain political preferment.

There will be much to be done by public officers and greater responsibilities. The citizen will have more at stake; there will be a wider field for political action, and he will give his preference at the ballot box, not to all-around good fellows, but to the candidate having the best talent for managing important business affairs.

The experience of other cities and countries that have had any with national ownership and operation of railways and locally of municipal utilities goes far to answer objectors. However much the opposition may pervert the facts and falsify the statistics, when

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the experiences of such cities and countries are fully investigated it is found that success has almost invariably followed the experiment. So far as known there has never been an outright failure. Where in a few instances a pecuniary loss has resulted to the public, it is shown that the utility was not of a character or of such general demand as to have made it profitable either in private or in public hands.

Glasgow always owned its street-railway lines. In 1871 the city leased them to a private corporation for a term of twenty-three years on terms very advantageous to the city. That was the only lease ever made, and from it the city derived a profit equivalent to $318,140. In 1894, the lease having expired, the city refused to renew it, and began to operate the lines as a municipal enterprise, at once introducing important improvements, and has continued to own and operate the system to the present time. The fares range from one cent to eight cents, according to distance traveled, the average being less than two cents. In round numbers, according to the last annual report, 56,000,000 passengers were carried during the preceding year for one cent, 178,000,000 for two cents, 9,000,000 for three cents, and 3,000,000 for the longer distances. Glasgow, in addition to owning and operating its street railways, also manufactures its cars, motors, and, for the most part, all other devices which constitute a traction plant. Under municipal ownership the fares have been reduced more than forty per cent, wages have nearly doubled, the service has been greatly improved, until it is the model plant of the world. Despite low fares and large expenditures to perfect the system, the surplus of receipts is $1,125,000 per annum. What has been done by Glasgow can be, and has been done elsewhere. If the people of other American cities cannot take a lesson from Chicago, they should at least

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profit from a study of the Glasgow, Manchester, and Liverpool successes.

Reports could be quoted from many European cities showing almost without an exception satisfactory service, low rates, and profits to the respective municipalities. The report made by United States Consul W. C. Hamm, of Hull, England, is given here in part, not because of its exceptional showing in favor of public ownership, but because of its fullness. He says: "In the gas department the profit for the year was $15,380, from which there is to be deducted interest on the debit balance and a sum for the sinking fund, leaving a net credit balance on the revenue account of $12,652. The working profit of the waterworks was $149,893, deducting city fund annuity; $57,449, interest on loans, and $8,622 for the sinking fund leaves the net profits $71,162. The revenue account of the electric lighting shows a working profit of $88,696, from which there are to be deductions for interest on loans, sinking fund, and meter installments, leaving the net profit $7,976. The working profit on account of the street cars for the year was $185,238, from which $48,329 is to be deducted for interest on loans and $45,700 for the sinking fund, and $37,400 to be transferred to the reserve fund, making the credit balance for this year $57,500. In each instance, then, with the exception of the crematory and the baths, the municipalization of public utilities in Hull has resulted in profit to the city treasury. The profit, it is true, is small, but it must be remembered that the charges for these public services are extremely low. A ride on the street cars in any direction to the end of the line costs only two cents; an exclusive telephone in a private house costs less than $25 a year, and in a business office about $30 a year. Gas is sold at forty-eight cents per thousand feet and electricity at nine cents per unit. The object is not

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so much to make a profit for the city out of these utilities as to furnish the public with the best service at the lowest possible price. Viewed in this light municipalization in Hull can be pronounced a success."

In 1903 the New York Merchants' Association investigated the question of the relative cost of electric lighting, which showed the cost per arc light for important cities, reckoning on a 2,000-candle-power basis, as follows:

New York	$146.00
Boston	124.10
Albany	121.80
Philadelphia	110.12
Minneapolis	108.50
Denver	90.00

The New York Legislature has recently reduced the rate in New York City to $100. In San Francisco the rate is $130, and it now pays the highest rate. Now compare these rates with those of cities which own their own lighting systems. Grand Rapids, with interest and depreciation added, $62.01; Detroit, also including interest and depreciation, $79.65, which has since been greatly reduced; Chicago, $53.57, with a small amount to be added for interest and depreciation, say altogether $60.

A peep ahead should show the people of New York City the importance of acquiring public utilities for that city at once. The city is growing rapidly, nor can anyone tell when or where the increase of population and wealth are to stop. The completion of subways and tunnels now projected will not only cause a great increase but a readjustment of population. The time is not far off when Manhattan Island will be principally occupied with business, and the population will mostly reside in suburban cities. This will greatly en-

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hance the importance, not only of transportation service, but of lighting and telephone service as well. Not many years will elapse until all of Long Island and Westchester County will be as near, for practical purposes, to the business center as Harlem is now, and each will contain its millions of inhabitants. Every increase of population, each expansion of occupied territory, will greatly increase the profits of public service and offer a pretext for an inflation of capitalization to cover up and conceal those profits. What would municipal ownership do for New York? It would reduce rates and fares, add to the efficiency of service, overthrow boss rule, dispense with strikes, better the conditions of labor, and to a great extent, or entirely, relieve the people from the payment of taxes. What does the perpetuation of the present system of private ownership signify? It signifies boss rule, with its attendant political corruption, the transfer day by day of the cream of the profits of business and earnings to the capacious coffers of grasping private corporations. It means that no one can go in comfort and speed from place to place, or see at night, or use a telephone, except by leave of private institutions possessed of all the power that can be practically exerted over individuals and public officials. Do the people owe more to political machines and trusts than to themselves? If not, they should not postpone the issue of municipal ownership, but settle it at once, and settle it right.

The experiences of American cities which have already acquired waterworks and lighting plants are assurances of the savings to the people to result from public ownership of other utilities. Years ago the city of Chicago established its own waterworks; to-day it has a system whose efficiency is phenomenal. Out of its revenues, aggregating during the entire period from forty-five to fifty millions of dollars, a sewerage sys-

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tem costing $5,000,000 has been constructed, and there is a surplus of an equal amount in the city treasury to the water-fund's credit, available for use in the acquisition of other utilities. The same city has an electric-lighting system which has reduced the cost per arc lamp from $125 to $54 a year, and Mayor Dunne predicts that it will not be many years before the citizens of Chicago will be looking back upon $54 as an enormous cost for an arc lamp, and that the people will be looking back upon their bills of the present time as the incidents in the scheme of a terrifying nightmare.

It is very much to the interest of every class, but especially to the local business man to have the profits realized by the sale of public utilities and service distributed and used in the community where they are supplied. Since under government ownership, after the necessity of a sinking fund ceases, there will be no surplus profits, the millions of dollars that now go for profits in the form of dividends will remain in the pockets of the people to be locally expended. The profits of operating the Manhattan Elevated in New York now go principally to the Gould family and of the Subway to the Rothschilds. How much of it is spent in New York? The gas and electric systems are controlled by the Standard Oil Company. How much of the many millions paid out of these stocks are spent with New York merchants? J. Pierpont Morgan's syndicate now owns what is left of the Chicago traction system and spreads the profits received therefrom all over creation. The controlling interest in the United Railways of St. Louis and San Francisco are alien; and Standard Oil is now reputed to control the San Francisco Gas and Electric Light companies. Very little of the stock of the telephone company holding and operating the most exasperating of all monopolies in San Francisco is owned there.

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In most European countries public utilities of nearly every kind are owned and operated by the people in their collective capacity. There is found in the ranks of those thus employed more contentment, more sobriety, more honesty, more fidelity to duty, than in any field of privately owned enterprise. The same is true with respect to the public utilities thus far acquired and operated by Government in the United States. We see in the post-office department and the public schools, each employing many thousands, a confirmation of the above statement. In most of our cities some of the public utilities are already operated by Government. Little trouble, such as the opponents of municipal ownership suggest, has been heard of in any of them.

Municipal ownership naturally raises the rate of wages in addition to shortening the hours of labor. This is made possible by the saving of interest and dividend charges. Such has been one of the results wherever it has been tried. In Glasgow the increase in wages under municipal over private ownership was over twenty-five per cent. Salaries then were twenty-two to twenty-four shillings per week; now they average thirty shillings for the ordinary employees. They work only six days in each week and a reasonable number of hours per day. True, these earnings are small in comparison with wages for similar service in this country, but the same difference is found in every line of employment.

And yet, notwithstanding all the convincing arguments in favor of public ownership, when courageous men like Andrew Carnegie, J. G. Phelps Stokes, and many others propose municipal ownership, one must listen to the sophistries of lawyers who are highly paid to suggest legal difficulties, and to the orator—subsidized by the corporations through the boss—while they deprecate the opening of a wider field to the grafter and

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practical politician. And, finally, our average citizen's banker, or some financier who tolerates, *pro hâc vice*, intimate relations with him, may declare the proposition to be socialistic. And thus his better impulses, his wiser and more reasonable resolutions, are repressed and he falls back into the old filthy rut of ultra-conservatism, submitting to daily robbery sanctioned by legal forms. The party lash may be applied as a last resort. Some leader of the party to which he thinks he belongs—perhaps a member of Congress or a member of the Legislature with a railroad pass in his pocket—will manage to meet him by chance, as it were, and flatter him by intimations of the esteem in which he is held by "the organization," and the opportunities he is throwing away by identifying himself with that crowd who would build up socialism and contribute to the defeat of the dear old party. This argument is addressed of course to the vanity and selfishness of our citizen friend.

But several stock arguments are kept constantly on tap by the hired agents of corporations, those owning newspapers as well as the others. These are addressed to the fear and ignorance of the voter. First, they say that it would not pay; that the government—for instance that of a city—would lose money by running its own street cars, or furnishing water, or supplying light, or controlling the telephone service, and that any such experiment would result in additional taxes. But he is never told, nor ought it to be necessary to inform him, that he is already taxed by the public-service corporations to pay interest and dividends in addition to operating expenses; and then that even if it were true that a small tax would result to make up a deficit in earnings, it would be a great deal less than the dividend charge of which he would be relieved under municipal ownership. But how can there be a deficit

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unless as soon as a city gets control people should quit riding on the cars, and using water, and begin to grovel in darkness, and carry their messages instead of using the "'phone"? Secondly, it is urged that party machines will be strengthened and great official corruption will result from public ownership.

One of those who trembles at the political results of municipal ownership is a certain gentleman who many years ago came out of the commonwealth of Pennsylvania, descended upon Chicago, and became and continued for years to be a great street-railway magnate. He became several times a millionaire as a result of corrupt dealings with aldermen having power to grant franchises, and now he has become a patriot. He now testifies that "municipal ownership is the commencement of a socialistic end, and a reign of blackmail and corruption." It verges upon the humorous to see machine politicians and corporation orators protesting against the movement for public ownership to avoid the contamination of official life.

Another objection urged by opponents of public ownership is on the score of the superior skill in operation under private control. To make good this objection it is assumed that the moment employees become public servants they become oblivious to duty, forget the knowledge acquired by experience, and are immediately transmuted from skilled operatives into unskilled amateurs. This objection runs counter to historical fact, and is altogether too absurd to require further notice.

An objection—and it must be admitted the most serious of all—is based upon the rights and equities of stockholders. The people would never consent to pay the stockholders the artificial market values given the stocks by inside manipulation. Only the bonds representing actual investment could be provided for at their

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face value. In most cases the plants and equipments have been exclusively constructed with borrowed money, and the stocks represent only water, or at most merely the franchises that have been acquired for nothing, often as a result of bribery. Much the largest percentage of the stocks will be found in the strong boxes of those who have been instrumental in thus acquiring the franchises, and who also own the bonds. But to all stockholders the maxim *caveat emptor* applies. Long prior to the acquisition of any such stock by any present owners the question of government ownership was being agitated; and there has always been, with reference to each and every privately owned public utility, the possibility, and in recent years the probability, that they would be taken over in the exercise of the right of eminent domain. Those who have advocated government ownership have always contended that only the cost of construction should be paid. No one has any right to claim ignorance of what would measure the compensation to be paid. If stockholders have become such with that knowledge, and have held on to the stocks, or subsequently neglected to get rid of them at the market price, they will have no cause for complaint in case they suffer a loss in the transfer from private to public control of the property represented by the shares. The world cannot stand still, civilization cannot wait on private convenience and interest. With equal plausibility was the introduction of steam railways opposed because it deprived teamsters of employment. No doubt the advent of the telephone was distasteful to the messenger boys. The armor-plate industry no doubt secretly resents the propaganda of the International Peace Congress.

Finally, the opponents will admit the benefits of government ownership in theory, but assert that we are not ready, or that the time is not ripe for it. The

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people are always ready for any useful innovation and can adapt themselves to, and utilize to the full extent, each economic change. The world was ready for public schools and government postal systems centuries before they came. Had the uses of steam and electricity been known before the fall of the Roman Empire, civilization would to-day be far ahead of present social conditions. Costly wars, waste of energy and property, and much suffering would have been averted. Had our governments, general and local, consummated public ownership years ago, when the advantages, yea, the necessity for it, were first known, few of our present economic, industrial, and political ills would ever have been visited upon us. As well might it be claimed that the Declaration of Independence was all a mistake; that our forefathers were not really ready to throw off the foreign yoke. Every city in the United States is ready to own and operate its own water, lighting, street-car, and telephone service; and the Federal Government is ready-equipped, in full heaped and rounded measure, for the ownership and operation of all interstate railroads, telegraph and telephone lines; just as ready as it will ever be; readier, in fact, than when at its birth it instituted the postal system and made the Post Office a principal head of the Executive Department. All that is needed is a little more self-confidence, public spirit, and courage on the part of the people; a mere remnant of that which inspired the revolutionary patriots to take their flint-locks and enlist under George Washington against the hosts of King George.

The hirelings of monopoly appeal to what they call the sense of justice, and call for "fair play" on the score of achievement and public benefits conferred by public-service corporations. And such specious methods of combating the demand for lower rates or for

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government ownership often make a deep impression, owing to the absence of anyone of sufficient ability to meet, counteract, and overthrow them. In all cases of a section of country or district of a city being benefited by an increase of population and a rise in the value of property, it is safe to assume, and can be usually demonstrated as a fact, that there would have been considerable increase and improvement without the advent of the corporate enterprise, and that this was foreseen; either that, or that these were merely accelerated by the advent of rapid transportation and other public service. The advantages of such investments are, as a matter of fact, always carefully weighed and are never made unless the chances are many to one that they will prove profitable. Public benefits, the comfort and prosperity of individuals, and public progress, if considered at all, are given scant consideration. Then what basis is there for putting such considerations in the scale at all? Such so-called adjuncts are often advanced with reference to public service in cities. One will hear the argument of benefits conferred advanced from the most unexpected sources. It runs thus: that the value of lots has been greatly enhanced by the construction of a tramway on them, or by the opening of an adjacent street, therefore the monopoly in private hands, with all that it signifies, should be continued indefinitely. In the first place, it would in most cases be difficult to prove, except as to outlying districts rendered more accessible, that any value has been added to any particular lot by increased street-car facilities. Of course the extension of street-car service to all parts of a city increases the value of property generally. But often property on a street is all the more valuable by reason of its exemption from use for street-car traffic, of which instances occur to those well informed. In the second place, the value in the form of

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easements in the streets which have been surrendered by subservient and corrupt municipal legislators, the value aggregating in any great city many millions of dollars, and made the basis of bond and stock issues to two or three times that amount, is conveniently evaded by the monopoly representatives.

One of the arguments of the opposition is that good management and safe operation require direct supervision of the owner, and that under public ownership too much will be left to agents and employees not directly responsible nor under the immediate supervision of the owner. But the proponents of government ownership have the best of the argument on that score. How many street railway, gas and electric lighting systems of large cities in the United States are locally owned? How many controlling interests in them are held by residents or have the direct care and supervision of such owners? Not one. Everything is done by intermediaries. Take the case of the street railways; we find a controlling interest in the stocks of each held on deposit by New York trust companies, sometimes in the names of other artificial agents called "holding companies," thus removing them another stage from personal supervision. In other cases—and this is the rule with street railroads, gas and electric lighting companies—we find the control in the hands of syndicates which have an office, and a manager in charge, in some city hundreds of miles away. The physical property is in the hands of a manager who is, after all, simply an agent, an employee over other agents and employees, attorneys, superintendents, foremen, down to car cleaners or coal heavers. The syndicate manager telegraphs an order and every local manager and subordinate hastens to obey. And this is itself a strong argument in favor of public ownership and control. Men selected for employment by the monopolies are so intelligent, so

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responsive and faithful, that they can be trusted at a distance of thousands of miles and in great masses with the handling of properties worth millions of dollars, owned by others whom they have never seen and never expect to see, although their compensation out of enormous profits is a scant livelihood for themselves and families. More than a million men are employed in this country dispatching and moving trains, maintaining tracks, collecting hundreds of millions of dollars from travelers and shippers, and turning that vast sum into the coffers of men never going West of New York or Chicago, except on flying trips of inspection or in quest of pleasure. It is absurd to say that the same local managers, superintendents, and their subordinates will not render as good, or even better service when the honor and dignity of being in government employ is added to their present trust and calling. A striking illustration of the artificial character of ownership and supervision is offered by the history of the street railways of San Francisco. All except the California Street cable lines, the Geary Street line, and one or two short lines now constitute, by consolidation, the United Railways of San Francisco, capitalized at over $40,000,000, about four times the cost of construction and equipment. Three-fourths of this exaggerated capitalization is based upon franchises and prospective earning power, what the single taxers designate as the "unearned increment." Recently, and so quietly that the local management had no hint of it until it had been done, the control of the United Railways was turned over by the Baltimore syndicate to a New York syndicate representing a foreign syndicate. So that now there is an intermediate control between the local managers and the primary control, which has its seat beyond the Atlantic. Now, when organized labor or the city government has to deal with that company, nego-

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tiations must be ultimately consummated with foreign capitalists owing no allegiance to our country's flag, and having no sympathy with free government or the aspirations of free men.

The real motives of political bosses for opposing municipal ownership are, of course, corrupt; that is to say, such ownership would dry up rich streams of revenue which have their sources in the earnings of all the people who use the public utilities. The ostensible grounds of opposition are various—some political, some taking the form of appeals to personal interest. But that which seems to be the most effective is an appeal to the fears and prejudices of the majority against socialism. It is past comprehension how property owners and others can be misled and hoodooed by the use of a mere name; how they can be persuaded that if they take a remove from evils which are almost intolerable, and thereby restore to their government what is considered and exercised as a governmental function in countries ruled by kings and emperors, a change will thus be wrought in our form of government.

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CHAPTER VII

EVILS OF, AND ABUSES BY, RAILROADS IN PRIVATE HANDS —NATURAL MONOPOLIES AND BASIS FOR COMBINATION STRONGER THAN THE GOVERNMENT—"THE KINGDOM OF HIGH FINANCE"

VERILY, transportation is an essential factor in the pursuit of a livelihood. As well speak of life in a vacuum as industrial motion and commercial intercourse without railroads. It follows that those controlling exclusively the machinery with which goods and persons are carried from place to place hold in their hands, absolutely, more power for good or evil than all the merchants and all the laborers of the country combined; and all other classes are so far dependent upon them that they must have that in which the railroads deal, namely, transportation, regardless of cost. Moreover, while under nominal conditions there would be no limit to competition in mercantile and industrial pursuits, yet in the matter of transportation by rail the competitors are necessarily few, and from the territory controlled by one company others are excluded by the very fact of its presence. Hence, a railroad is the most complete form of monopoly of which the human mind can conceive. Its power is not less in respect to the power it confers than a monopoly of air or water. The people can endure a monopoly in a luxury, they can exist in moderate comfort in the presence of a monopoly of a single article of necessity, fixing a price just below the prohibitory point; but they cannot long endure a monopoly in transportation which exacts unjustly high tolls,

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though giving it but a small per cent of advantage over any other department of industry. Owing to the fact that such a large proportion of the country's capital is invested in railroad property, one per cent of return on investment in excess of the average in all other lines of effort will in a few decades enable the railroad interests to absorb all the solid property of the nation. That the exactions by the railroads are unreasonable, unjust, extortionate, and out of all proportion to the rewards in other fields will be conclusively shown in a subsequent chapter.

In order to increase the volume of traffic railway managements must, of course, adjust their rates so as to allow the shipper a profit that will induce him to continually enlarge his operations. Beyond this they need not, and seldom do go. The margin of profit above this necessary amount can be taken from the shipper with impunity. In this sense the railroads of the country exact all the traffic will bear.

It is an economic law that any improved mechanism or process supplants and supersedes that which before existed. The uniform operation of this law has been very forcibly demonstrated in the case of the comparatively modern railway. Even at moderately high rates the use of the wagon road, and in many instances of the water way, is impracticable and, for distant traffic, ruinously expensive.

The expense and difficulties attending the acquisition of adequate terminal facilities is constantly and rapidly increasing. The surrender of the Baltimore & Ohio to the Pennsylvania was largely due to the enormous cost of entering Philadelphia, which appeared to be necessary to its continuing the payment of the interest on its bonds out of its earnings. But the drain on its resources for a Philadelphia terminal was so great, and the prospect so remote of its resuming the pay-

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ment of dividends on its stock, that its stock greatly depreciated, so that the Pennsylvania Company obtained a controlling interest at a low price.

The readers of newspapers and magazines are treated to a great deal of certain kinds of information about current railroad affairs and railroad officials. The reports of earnings, improvements, contemplated improvements, and changes of management are given considerable space. But the fact that the "gentlemen's agreement," taking the place of the outlawed pool, has completely eliminated competition in passenger and freight rates from all points between the Mississippi River and eastern cities is seldom mentioned. At Chicago, for instance, one can travel by either of several roundabout lines to New York at a "differential" rate, which is cheaper than by one of the direct and shorter lines, but it is a high rate at that. The rate is the same whether one travels east or west. Whatever may be said about the cheapening of rates, it cannot be denied that passenger rates east of the Mississippi are higher than before competition was destroyed. Moreover, the present arrangement between the great magnates who control the roads has been in force for a number of years, during which there has been no reduction but rather an increase of rates. Not only so, but they have made the construction of any line in competition with existing lines next to impossible. It is probable that the Goulds may reach Baltimore with a line connecting the Wabash with the seaboard at that point, but that is the utmost that can be hoped for. If industrial development and increase of population render new roads necessary, they will be built by existing great trunk lines as branches, but not by independent organizations. And railroad interests west of the Mississippi are rapidly crystallizing in the same way. Therefore, the bond and stock issues of the railroads

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are just as much a mortgage upon all the people and all the property now in the country, and upon that which succeeds the present generation, as are the bonds of the Federal Government.

The law of competition is inoperative and fails to furnish any protection in the field of railway enterprise and development except for brief periods. How often have cities, towns, and communities agitated, expended time and money, and burdened themselves with bonded indebtedness until a rival line was secured; and how often, when the coveted competitor was secured, have they seen it swallowed up by the stronger companies at the maturity of the first installment of indebtedness? Setting one natural monopoly to compete with another has been tried a thousand times, but always with the same result. Even without consolidation nine-tenths of the railroad business in the United States would be conducted under iron-clad agreements. These agreements usually cover not only rates, but speed, wages, etc. Recently it leaked out that the railroads of the Northwest had agreed not to exceed a certain rate of speed between Chicago and certain western and northwestern points. England and France have had the same experience as the United States in attempts to either regulate or to secure the benefits of competition. Government ownership is the only remedy. Monopolies cannot be left to manage themselves.

From what has preceded, it seems clear that the power possessed by the owner of the only available means of transportation is too great to be intrusted to a few individuals however honest and patriotic. Such power is an attribute of sovereignty. It affects the entire people more directly than any now recognized function of the Government; it should be held and exercised by the people in their organized capacity for the benefit of all, and should be no longer held and used

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for the impoverishment of the many to the aggrandizement and enrichment of a comparatively few.

When a railroad invites a shipper or traveler to either pay its price or furnish his own means of transportation, it invites him to do without that essential commodity entirely. Little argument is required to show that railroads practically fix the margin of profit on commerce and the cost of living of every citizen, and thereby the rate of wages. Many able writers have clearly set forth this truth.

Prof. Richard T. Ely, in an article in *Harper's Magazine* for July, 1886, said: "We discover a universal dependence on the railway. Does the reader remind me of other means of communication and transportation? The reply is evident on a moment's reflection. It is a law of political economy that the more perfect highway at once steps into the position of a monopolist with reference to inferior highways. But it needs no law of political economy to teach the farmer or the merchant that for most purposes he must use the railway, or entirely abandon his attempt to gain a livelihood."

Equally clear is the expression of Mr. A. B. Stickney, himself a railroad president. In a recent work, entitled "The Railway Problem" (pages 31, 32), he says: "Railway transportation, under present conditions, is to the industrial world what the atmosphere is to the physical world. It pervades and is essential to all industries. As, in the physical world, no man or beast, no plant or shrub, can refuse to breathe the air without death ensuing, so in the industrial world no industry, nor any human being, can refuse railway transportation except under similar penalties. Who would consent that a few men should have the power to dictate upon what terms the air should be breathed? It is idle to talk about railway transportation being a mere article of

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commerce owned by the company, who as such owner may sell it or not as he may see fit; or, if he elects to sell, may demand such price as he chooses or can obtain. It is nonsense to call that merchandise which no man can refuse to purchase."

But no one has presented this phase of the question so forcibly and clearly as George H. Lewis, Esq., of Des Moines, Iowa, in a work entitled "National Consolidation of Railways of the United States." At the close of Chapter XI he says: "This system is the vital air of our great business enterprises and the life of great cities and States. It ministers to the leisure and enjoyment of the rich and aids in the recreation and health of the many. Without it modern life would perish and modern society become an irretrievable wreck. But to just the extent that railroads are a necessity do they constitute also a monopoly. Their influence pervades every avenue of business and every phase and class of life. And as no living person can escape their power and influence by any possible effort, so every individual is affected in his fortunes, his business, his enjoyments, his life, and even his death, by the good or bad management of these mighty forces, and the true or false principles controlling them. It is therefore the right, as it is the duty, of every patriotic citizen to use all means in his power to make this most potent force of modern civilization a minister of good to all the people, and not an instrument of oppression, or of the personal aggrandizement of a few at the expense of many."

Hon. Thomas M. Patterson, discussing the Panama Canal Bill in the Senate, said: "Next to education, transportation is the burning question with the people of the United States, and it is as great a factor in the civilization of the country, and its permanent advancement and prosperity, as is education itself."

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The railway managements of the nation, in private hands, may defeat the military operations of the Government in case of war, civil or foreign. The Government could indeed take charge of the roads as a war measure without owning them, but it would be entirely dependent upon the will of the management for the skilled help necessary to utilize the means of transportation.

Railroads belong to the class called natural monopolies; that is, they are monopolies by virtue of their inherent qualities. The property owned by them constitutes a large proportion of all that is owned in the United States. Their monopolistic character can be plainly seen by reference to their chief characteristics. These are: 1. The occupancy of desirable spots or lines of land. 2. Power to increase the service which they supply without a corresponding increase of capital. 3. Power to compel the use of the plant which they own in supplying the service to the exclusion of others.

The extent to which the great lines of steam railway are favored by the points of vantage which they have secured is not generally appreciated. Along the greater portion of the line there is ample room for a number of tracks, but without the right to cross mountains through particular passes, and to build between rivers and the bases of mountains, these tracks would be worthless. The company which first secures these narrow strips of land holds them exclusively, and such holding gives them an exclusive monopoly on the traffic of large sections. This remark applies with peculiar force to the terminal facilities. Observe the great advantage held in the matter of terminals by the New York Central in New York, by the Pennsylvania in Philadelphia, Pittsburg, Baltimore, and Washington; by the Illinois Central in Chicago, and by the Southern Pacific in Oakland, opposite San Francisco.

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Not only are the railroads an indispensable factor in modern commerce, but Government cannot perform its functions without rapid transportation. Without the railroad mail service the Post Office Department would be an almost useless appendage. The assembling of Congress upon short notice in cases of public danger, urgency, and necessity would be either very costly or impracticable.

The railroad monopoly makes all other monopolies possible. It makes special legislation and corrupt government appear to be regular. Transportation is the one great factor in industrial and commercial life. If we get control of that we can be a free people once more.

Closely connected with the new menace in the form of a complete unification of railroads and financial interests are the Standard Oil Company and Standard Oil, the syndicate, and outgrowth from it.

The Standard Oil Company stands at the head, in point of magnitude of its operations, of the financial institutions of the world. Not even the Bank of England equals it in volume of business or money value of exchanges. Its capital stock of $100,000,000 is no measure of the value of its properties. Its shares are of the par value of $100, but sell for from $650 to $850 per share according to the condition of the money market. Very few shares are outstanding on the exchanges, the stock being closely held. John D. Rockefeller is much the largest holder of the stock, the dividends upon which are from forty to sixty per cent per annum. But that is but a mere fraction of his wealth, estimated at over $500,000,000, and rapidly increasing. Associated with him are a group of others, the wealth of each running into eight and nine figures, altogether constituting a close syndicate of far more financial power, as regards the control of ready money, than any government in the world. The Standard Oil properties, though of

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vast and of almost incalculable value, constitute only one of the many kinds of assets of the syndicate. Among the institutions controlled by it is, in point of magnitude of operations, the largest national bank (the National City Bank) on the American continent, and probably in the world, as well as other banks in New York and elsewhere; also a controlling interest in 72,740 miles of railroad, including great trunk lines, and through such control influencing the policy of as many more miles; also trust companies, street railways, and gas and electric lighting systems, including the entire system of Greater New York. This syndicate is also represented in the three greatest insurance companies in the world, with reserve assets aggregating $1,200,000,000 and cash surplus aggregating $200,000,000. It can boom or depress the stock market at will, and can control the call, as well as the time rates for money borrowed on stocks. It could bring on a financial panic within twenty-four hours that would cause a thousand bankruptcies, compel an issue of Government bonds, and paralyze industry in all civilized nations. All this power and wealth have resulted from special opportunities offered by law, and discriminating rates given by railroads, skillfully and unscrupulously taken advantage of, and suppression of hundreds of rival enterprises, upon the ruins of which this colossal structure has been erected. In it all, so far as wrongdoing is attributable, the railroads are the guiltier, because without their abuse of privilege and violation of the laws governing common carriers the results would not have been possible. What are the aspirations of Standard Oil (the syndicate) can only be conjectured. As to its powers, we may speak with some assurance. No doubt the company proper (the oil-producing and refining company by that name) has relentlessly used its power and made the most of its opportunities in the past to establish its monopoly.

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But when we come to Standard Oil, the syndicate of financial potentates, we are dealing with a different proposition. No one can more desire peace, order, and a stable government than a possessor of great wealth; and the members of that syndicate need not be told that when they weaken the Government, under whose laws they must find protection in their possessions, that that moment those possessions depreciate, and that if the Government were destroyed much value would disappear. But, even so, that can no longer be considered a free country where a few individuals outside the Government have the power to dictate its fiscal policies and restrain legislation not consistent with their opinion of what is due to themselves. It is entirely proper, at any rate, to take a brief inventory of the power already possessed by the Standard syndicate and to speculate as to what its accumulated powers will be in the near future in case the people continue inactive with reference thereto.

In the first place, by reason of its being in possession of such immense cash resources and stocks, the New York Stock Exchange is a free mart for the nation's traffic in securities only by leave of that syndicate. In the second place, and for the same reason, it need not conform its operations to the condition of the United States Treasury, but rather the reverse is true. It may not be unnaturally asked why we single out that syndicate and devote so much space to it. It is because it constitutes the central figure, the controlling factor, in the abuses of railroad monopoly, having the power to practically dominate the entire railway management of the country. When this dominance in connection with Standard's strategic relation to the fiscal affairs of the Federal Government, above described, is considered, and its power to make and unmake prices, even of government credits, to close the doors of banks, brokers' offices, factories, and mints of coinage, and create world-

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wide panics, it is little wonder that the Senate hesitates to oppose its will by the enactment of legislation not approved by the vast railway interests identified with it.

The people have permitted themselves to be chloroformed with the assurance of politicians and newspapers saying, "All is well, there is no danger; the trusts and syndicates will destroy themselves." And now it has come to this, that a President, whose duty it was to fully investigate and thoroughly understand the dangers that were brewing, has been controlled by party exigencies, or fooled by his advisers, until evidence was laid before him by private agencies of such conclusive and overwhelming character that he was startled and aroused. Even then he was unable to comprehend the full import of the situation. Although the constitutional limitations that "do hedge about" the presidential office and Congress have been declared from time to time by the Supreme Court, and may be said to be fairly well defined in judicial history, the President appears to have forgotten them, or to have been misled with reference to them; for we find him, shortly after his recent election, making the most extravagant declarations of war against monopoly, and especially promising remedies for railway abuses. Since that time he has had two kinds of advice: one, personally, at least, friendly; the other, thinly veiled with menaces, virtually a threat. From friendly sources he has been shown how narrow is the margin of power lodged in the hands of Congress and the Executive, in the light of Supreme Court decisions. From the other source he has been "advised" as to what will happen to him and the country if he or Congress attempt to exercise the little power that they have. Now, if he exercises the moral courage attributed to him by his effusive admirers, he will confess his mistakes and frankly inform the people

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as to the true situation. He will advise them of the necessity for amendments to the Constitution, for the control of industrial monopolies, and that there are two ways to accomplish it; that the one method is not available, owing to the refusal of the Senate to submit adequate amendments, and that the other requires the people to take the initiatory step in their respective State Legislatures, to culminate in the assembling of a convention, and that for railroad combination the true remedy is government ownership.

John D. Rockefeller is now by far the wealthiest man in America and is reputed to be the richest in the world. Andrew Carnegie, before his many princely gifts were made, was said to possess values of $350,000,000. Between him and Mr. Rockefeller there is a little gap of about $200,000,000, the difference being in favor of the latter. Mr. Rockefeller's income is, of course, not alone from Standard Oil stock, but from investments made by him in other gilt-edged securities, and is now said to amount to $50,000,000 a year. His wealth and its history is that of other men in the Standard Oil group. Some of them, recently estimated by an eminent Wall Street broker, are as follows:

William Rockefeller	$75,000,000
Henry H. Rogers	50,000,000
J. D. Archibald	40,000,000
H. M. Flagler	40,000,000

Omitting the Lockart estate, estimated at $150,000,000, here is an aggregate, mostly of cash and assets, quickly convertible into cash, of $755,000,000. Other Standard Oil interests and those in corporations entirely subordinate to Standard Oil, which in its turn is absolutely under the control of the group, added to the above sum, will easily bring it up to $1,000,000,000.

Now, having before us the head, or inner circle,

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of the power over us all, with its nest egg of a round billion, we are ready to give attention to its branches and ramifications. For present purposes, we may drop the institution which produces and supplies illuminating, lubricating, etc., oil, and other by-products, to the human race. To designate and distinguish the new empire within and over the Republic, sometimes designated as a "community of interest," and otherwise as the "system," we use the term "The Kingdom of High Finance," and sometimes simply "The Kingdom." It is more expressive and there is little danger of confusion of terms.

Any treatise on politico-railroad despotism must necessarily devote more or less space to John D. Rockefeller, its king and most important personage, just as an account of that dramatization of government on the outside called the United States, must frequently mention its stage manager, the President. The man who organized and conducted to success the greatest unofficial single corporate entity in the world, overcoming difficulties which would have vanquished any but the most patient, industrious, prudent, and farsighted, who held firmly a controlling interest through all vicissitudes, and who so wisely managed and invested his profits as to become by far the richest man of his day and generation, is not to be lightly considered as a moral and mental force in The Kingdom of High Finance. And yet truth compels the statement that the kingship of Rockefeller is upheld as much by the fact of his large possessions as by reason of his capacity to govern. He acts for the most part through his cabinet, small and select, at Standard's fortress in New York. But his kingdom is the whole world of transportation and finance, of which Wall Street is the center and capital, a city within a city. Perhaps he directly supervises nothing except his private landed estates and deposit

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accounts, unless called upon to give advice. And yet no financial deal of considerable magnitude involving railway or industrial stocks or bonds, or a large transfer of cash banking assets, is consummated until it has been submitted to his cabinet. Perhaps less than ten per cent of such submissions ever reach the king, because his chief advisers and old trusted associates hold from him an unlimited power of attorney. It is only when they are beset with doubts as to the wisdom of sanctioning or disapproving a proposition of considerable importance, or when their views are not in accord, which happens with equal infrequency that his kingship is consulted. It is rarely the case that any outside matter of a business nature not immediately affecting the oil industry comes before him otherwise than through his cabinet. And yet the decrees of the cabinet are pronounced upon matters submitted to it as decrees of the king in person.

The dynasty rules more by negation than by interference, by fear than by love, by indirection than by actual contact. And yet it would be a great mistake to suppose that its yoke always galls the necks of its wearers. Notwithstanding many worthy exceptions, the vast majority of mankind love to be bossed. No one will question that this is so in politics; it has become largely so in ordinary business, and is especially true in high finance. Civilization, industry, and finance are so interdependent and complicated that most men are glad of an opportunity which such a system affords of shifting the responsibility and shirking the labor of making up their minds. This applies in some degree to the grand dukes and marquises in this kingdom, such as Harriman, Gould, Morgan, and the present generation of Vanderbilts, as well as to the royalty of lesser rank.

But it is not to be inferred from what immediately precedes that the power of the king and his cabinet is

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only theoretical or consists in mere assumption. Suppose, for instance, when Kuhn, Loeb & Co. were about to have underwritten $160,000,000 of Southern Pacific refunding bonds, the king had seen fit to disapprove. There is in his realms not only a market for securities, but a money market. With the fifty millions or more of cash coming under Standard Oil's immediate control in a single month, with twenty times as much more deposited by the public and by corporations in banks and trust companies controlled by Standard, a few messages over telephones and a few short dispatches to institutions in other cities where the kingdom's banks are located would have locked up the money market so tightly that the underwriters would have been running to 26 Broadway with profuse apologies for even entertaining the underwriting proposition for a moment. And yet it is not known to the public that Standard holds a share of Southern Pacific stock or any of its bonds.'

A conservative New York daily paper recently gave the following estimate of the market value of the holdings of the Standard Oil associates:

Bank stocks	$233,102,500
Industrial stocks	1,888,248,235
Railroad stocks	5,094,518,255
Other stocks	2,000,000,000
Bank deposits	419,868,342
Dividend profits and surplus	100,000,000
Total	$9,734,638,332

And all this enormous wealth is concrete; that is to say, it consists of cash credits and gilt-edge securities quickly convertible into money. The "system," as Lawson calls it, understands the advantage of the bond and the stock certificate over the corpus of the property rep-

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resented by them. The possession by the syndicate of the stock gives it dictatorial power over the directorate and managers, so that they must serve and strive to please the syndicate by constantly increasing the volume of traffic and maintain high rates, even to the extent that the traffic will bear. The monetary channels from the pockets of the people to the vaults of the syndicate must be kept bank full, else official heads are in peril. And this applies not only to lesser lights, but to such as Harriman, Gould, Hill, even to Morgan. For The Kingdom of High Finance is not unlike other kingdoms, where one man is ever the supreme source of "honor and profit." Once it was Jay Gould, then Vanderbilt, then Morgan. Now all is changed, and it is a syndicate, at the head of which is by far the wealthiest man the world has ever seen. Such is the syndicate's power over the railroads of the country. Of course it holds a majority of stock in but few railway systems, but that is not necessary. Indeed, the will of the syndicate carries the authority of law in railroad management where it has not a dollar of interest. This ought to be easily comprehended when the extent and character of its financial resources are studied. Among its holdings appearing above are bank stocks to an enormous amount, by far more than are concentrated under any other control. Standard has been wise in its bank-stock investments, as in others. Its holdings are in the largest and most solvent money-lending and credit-giving banks in the country—those that must be called upon to finance, that is to have charge of, the underwriting of all large monetary transactions of railroad companies. Now the deposit accounts of Standard are of considerable importance, even when distributed among all these banks. That fact, added to the fact that it is a large stockholder, plus its general control of the securities market, gives it dominating influence in most of the banks of

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large account and of issue in the country. All railway managements are such that the managers never know when or how soon it may become necessary to float a bond issue and have the bonds underwritten by a syndicate to avoid their being placed at a heavy discount. Or some new connection or terminal necessity or improvement may justify a new issue of stock. In any such case the difference between approval and objection by The Kingdom to financial aid from the banks able to extend it, is the difference between success and failure. For these reasons that syndicate can do just about what it pleases with any railroad or bank in the country, whether it be a shareholder or not. And Standard, being thus in control of transportation and credit—those factors which make any large enterprise possible—no manufacturing concern dares do a single act positively inimical to its interest or policy.

The king and his cabinet find the governmental machinery at Washington and Albany useful annexes. The President at the head of the army and navy is certainly a convenient institution, in fact well-nigh indispensable in their scheme of orderly and submissive government. But when it comes to fiscal affairs, what care they for the President?

The presidential office, once much respected for the power it exerted upon the current events and affairs of the nation, is respected no more for that reason. The President may declaim and talk and threaten and flourish as big a stick as he can wield, without provoking so much as a passing comment from the superior powers that " do hedge him about." For instance, there is the Senate, an outlying impregnable Gibraltar of The Kingdom. (The people may, howsoever, take it into their heads to prove that it is only a Port Arthur.) The people only vote indirectly for President; they do not vote at all for senators. The really influential sena-

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tors are nominated by the Standard king through certain State agencies locally known as party bosses, but known by the king as presidents and attorneys for railroad companies within Standard's systems. As for their being elected, that is a joke. They are voted for, it is true, but an election implies an exercise of the free, untrammeled will; and that is not exercised where the legislator voting for a senator has to consult a Standard agent before being even nominated. The voters may very soon take it into their heads to insist upon the enactment of compulsory primary election laws of the Wisconsin and Illinois style, and on having their own representatives vote for senators. If they do this, and make the most of the advantage thus gained, The Kingdom will soon be overthrown, because only the Senate stands in the way of government ownership of that upon which The Kingdom stands.

A full and free criticism upon the shortcomings of government and an intimation that ours is the worst governed country on the earth, if made publicly, would win for the critic the title of sorehead and crank, or might involve him in serious trouble. While we are not quite Russianized, it cannot be denied that we are drifting to the bad conditions prevailing in the domains of the Czar. In the first place, our Federal Government is not a democracy, as is generally supposed, either in form or practice. We speak of Great Britain as a modified monarchy. We may properly speak of our Government as a qualified democracy; but the modification in England is effective to give effect to popular representation and public opinion, while in the United States the checks upon the will of the people are so important and far-reaching in effect that, without any flagrant perversion of the Constitution, our Government has really changed from a representative government to a plutocracy. Instead of our Constitution affording a

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safeguard against the latter, it really furnishes the framework for it. It provides a Senate, with absolute veto on all legislation, and places it beyond the reach of the people. True, if it should ever happen in any biennial period that all the States chose honest Legislatures, the members of which were proof against temptation, the people might in an indirect way change one-third of the plutocratic body; but that would not alter its character as an element in the Government possessing and exercising absolute power. In practice the people must vote, if they vote at all, for corporate agents selected by party bosses, and the electorate then becomes oblivious to the personnel and environment of the one selected for senator, or failing to understand, or relying upon the infallibility of party, assume that all is well and that the person chosen is all that he asserts himself to be. The senator chosen, though upon taking his seat well disposed, soon has clearly revealed to him the path of political safety on the one hand and of destruction on the other. He has only to study the record and contemplate the fate that has overtaken those senators who, going into the Senate with high resolves, have followed the dictates of conscience and battled for the right against the ever-present and dominating power that has its seat not at Washington, but in Wall Street. Especially does he read his doom in opposition to, and his reëlection in alignment with, that power if he belongs to the dominant party. Here the curse of party rule is seen in its darkest aspects. Often have senators opposed in speech confessedly bad measures programmed for passage by the party bosses, and yet have fallen down under the party lash and voted for them. Herein is seen in bold relief the destructive tendency of government by party rule under the present Constitution. The only difference between the Government of Russia and that of the United States is that there the despot openly

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and officially occupies the throne, upon which a fierce light is ever shed; while here the czar is unseen, unidentified, and irresponsible, acting in the dark through a collective official organism, the one no more reflecting the will and conserving the interests of the people than the other.

Others also see that a crisis has come, and that there is before the people of this country a railroad question which transcends in importance all others. Thus, H. C. Nicholas, in *Public Opinion* of March 4, 1905, said: "Never before in the history of the world has a small handful of men controlled the enormous resources and the tremendous power that is centered in the hands of the ten men who control the railroad industry of the United States. Whether or not any ten men, however honorable they may be and however noble may be their aims, should be permitted to control the railroad industry of the country, with its power of taxing every industry and entering into the cost of practically every commodity of commerce, is another and far greater question which this country will soon be called upon to solve."

And to show that the facts stated, conclusions drawn, and fears expressed herein are not merely those of one or more alarmists, we quote the closing paragraph of a recent editorial in the *Wall Street Journal*, bearing upon the concentration of capital and growth of combinations and trusts, as follows: "It would seem at first glance that a republican form of government like ours would be unfavorable for an economic evolution of this character. But, as a matter of fact, nowhere else has there been such concentration of capital as in the United States. Nowhere else, it may be said, does it involve so much of grave peril as in this country, for it raises the question whether free government may not break down under the burden of financial power aggregated

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in a few hands. It is just this consideration which is responsible for the prevailing unrest and discontent." And Governor La Follette coincides with the general opinion. He says: "There is no competition to restrict railroads in any degree. Consolidation has completely destroyed all competition in rate-making." He sees the complete empire of railroad consolidation, but he appears reluctant to admit its true significance. He says: "We come now to the great master stroke for absolute control of the highways of commerce and trade by the consolidations of the railroads of the country under what is called the 'community of interest' plan. Under this plan practically the entire vital railroad mileage of the country has passed under the control of groups (six) of financiers, each group, in large measure, controlled by one man. The effect upon railway interests and the public has been tremendous." And, after giving a table of names and figures in support of this statement, he adds: "The disclosures of this statement are positively startling." Indeed, they are startling—so startling as to show that we are now "at the parting of the ways." The latest report of the Interstate Commerce Commission proves this conclusively. In it the commissioners all unite in saying: "The tendency to combine continues to be the most significant feature of railroad developments. The facts in this regard are matters of common knowledge, and little is gained by the mention of particular instances. It is not open to question that the competition between railroad carriers which formerly prevailed has been largely suppressed, or at least brought to the condition of effective restraint. The progress of consolidation, in one form or another, will at no distant day confine this competition within narrow and unimportant limits, because the control of most railway properties will be merged in a few individuals, whose common interests impel them to act in concert."

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The "community of interest" plan, put in execution since that report was published, had the effect of linking together the great systems then referred to as the products of consolidations and mergers, until to-day competition between the two oceans bounding the country east and west has disappeared. This "community of interest" must be overthrown, or our boast of freedom is idle and vain. All not identified in some way with this "community of interest," and who have given the subject judicious thought, agree in this. They must also agree that a false step in attempting its overthrow will be of most serious consequence. The groupings of the combinations constituting the "community of interest" and the data as to each are stated somewhat differently by different writers; but that given by Governor La Follette is the latest and no doubt the most trustworthy. It is as follows:

Classifications of the Various Systems.	Number of roads embraced.	Mileage of each system.	Capitalization of each system.
Vanderbilt.....	132	21,888	$1,169,169,132
Pennsylvania	280	19,300	1,822,402,235
Morgan-Hill.....	225	47,206	2,625,116,359
Gould-Rockefeller....	109	28,157	1,368,977,540
Harriman-Kuhn-Loeb	85	22,943	1,321,243,711
Morse-Leeds.....	9	25,092	1,059,250,939
Total.....	840	164,586	$9,006,086,916

The indications point to an early consolidation of all of the Pacific railroads. The Union Pacific owns 45.5 per cent of the stock of the Southern Pacific and Central Pacific and many other companies, having a total mileage of 8,809 miles. The Oregon Short Line, a company subordinate to the Union Pacific, holds

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$82,491,087 of the $364,867,849 capital stock of the Northern Securities, which holds large interests of the Northern Pacific Railway Company. In May, 1901, $78,108,000, being more than fifty per cent of the capital stock of the Northern Pacific Railway Company, was acquired in the interest of the Union Pacific Company. Subsequently, according to Associated Press report, the parties in control of the Northern Pacific and Great Northern, on the one part, and of the Union Pacific on the other, came to a complete understanding and settlement, and by written contract jointly undertook the construction of a connecting line between the respective systems. It surely cannot be unknown to the public that when the passenger goes from New York to Chicago, or from Chicago to San Francisco, or from any city to another, the fare will be just the same—and high at that—whether he go by one railway or another. It is just the same with the shipping of freight; nor does this result from accident.

As a matter of fact the Rockefeller or Standard Oil syndicate controls, directly or indirectly, every important railroad system in the country. As for anyone quarreling with John D. Rockefeller or his cabinet, one might as well imagine the English stock broker quarreling with the Rothschilds or with King Edward. Not only would Harriman, Gould, Hill, Belmont, Armour, Morgan, or the Speyers not dare to quarrel with Standard Oil, but they would not dare to quarrel with each other, though they sometimes pretend to do so for stock-jobbing purposes. But it is nearly always a mere bluff to fool the people into buying some stock which has become a drug on somebody's hands, or selling to the members of the syndicate outstanding shares needed by some one to give him more secure control of a corporation. Every little skirmish between two systems is followed by a closer union.

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It is not possible to go into details to show how the "community of interest" is maintained, owing to lack of exact knowledge. But what has been accomplished, and by whom, as principal actors, and some of their most important relations to each other have come to the surface from time to time, all together constituting a mass of public information from which the most important deductions may be made. The ruling power of which we speak is not a corporation, nor a club, nor an organized association of any kind. But between men whose interests are the same and whose endeavors are directed along the same channel no definite agreement is necessary. They may come and go and meet in twos and three, or tens, so long as their interests do not conflict. And where such great interests are involved conflicts would be of such serious results that a way is invariably found to compromise them and preserve at least a workable state of peace.

The writer was slow to believe that the coterie of capitalists designated as Standard Oil, or the Standard Oil crowd, or the Rockefeller interests, was as important in the colossal scheme of financing the Republic as was alleged by various writers in magazines and newspapers, and even in prints of a more permanent character. But a study of all that has come to public view in the last few years and of the history of the Standard Oil corporation proper in connection with contemporary, corporate, and financial history, leaves room for but one opinion, and that is that the head, the central figure in the combination, is the Standard Oil group.

In his inaugural address the President emphasized the necessity of constant preparedness for war with foreign nations. In constantly seeking to inspire people with a love of military greatness he is but diverting their minds from the supreme danger. The gravest menace to the Republic is from within. No menace to

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be found in the military resources of any foreign nation, or in all together, is to be compared to that we are here attempting to describe. How trifling are all the dangers from abroad conjured up in the President's mind in comparison with our domestic peril, due to the presence and power of The Kingdom of High Finance. The President will no doubt inform Congress and the country of the true state of the Union and point out the real source of danger when he has been more fully informed.

One branch of the syndicate goes from city to city swallowing up and combining all the street railways, gas plants, and electric-lighting companies. The syndicate has now so far completed its work along this line that the people have ceased to be frightened at its accomplishments, accept them as the normal order, and submit to be ruled and fleeced by the gigantic consolidations as they submit to the growing importance and power of the political boss.

The " Beef Trust " will soon surrender to The Kingdom. The king's cohorts have obtained control of the Chicago Stock Yards and will procure the necessary legislation.

Standard Oil (syndicate), the central group in the financial oligarchy, is essentially a transportation trust. The opportunity for its consummation did not present itself until (1) the railroads had obtained complete political control and (2) there was a large balance of the country's surplus cash and cash credits in the banks in Wall Street. The legislative department is practically controlled from Standard's fortress, while the Supreme Court, still sitting at Washington, is a foreign but friendly power, whose decrees are respected or scorned, according to circumstances. The only hope for the rescue of our institutions from this awful predicament is the chance that the people will wake up, realize true conditions, and take action.

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Judge Peter S. Grosscup, writing for *McClure's Magazine* for February, 1905, very strikingly expresses the same idea in these words: "In 1900 it was estimated by the Government that an equal distribution of the wealth of the United States among its people in 1880 would have yielded to each about one thousand dollars, while such distribution in 1900 would have yielded about eleven hundred dollars. The growth of wealth per capita, therefore, during these two decades was about ten per cent. Now mark! During this same period the amounts invested by our wage-workers and people of ordinary means in bank deposits—that is, the amount withheld or withdrawn by them from active proprietorship and left with banking institutions to loan out to those skilled in the ways of corporations—have grown over five hundred per cent."

The Kingdom not only carries the commerce of this country, but controls it, determines its destination and for what price it shall be sold, where the markets for it shall be located and who shall control them. Capital and labor, wherever employed in the creation of wealth, are absolutely dependent upon transportation, and this is controlled, in fact much of it is owned, by The Kingdom.

What is to be the ultimate fate of a people when the small business man, the wage-worker, the producer and consumer are subordinate to the will of such a government as The Kingdom gives them or permits them to have? Is anyone a free man who lives in a community where his conduct with respect to what he buys and sells, for whom he works and for what, are subject to laws and rules not found in the statute books, and in the making of which he has had no voice?

As matters now stand, and owing to the tendency of bank deposits to flow to the centers of speculation and corporate flotation, the power of The Kingdom is

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only limited to the ability of the banks controlled by it to increase bank deposits and expand bank credits.

The same idea is abstractly but very properly expressed by Judge Grosscup, in the article above quoted from, as follows: "Indeed, the chief reason why any monopoly can now maintain itself is that, besides having a grasp on all the physical sources of productivity within a given field, it has a large grasp also on all the financial resources that would otherwise go into the building up of competitors."

Look at the directorate of the Equitable Life Association. There you find most of the great bankers, presidents of trust companies and railroads, organizers, attorneys and promoters of trust monopolies, two United States senators—altogether fifty-one names. The names in the directorates of the Mutual and New York Life companies are fewer, but, so far as they go, are almost identical. And so with the great consolidated and reorganized railway companies, industrial corporations, trust companies, and banks. The reserve assets of these three insurance companies alone aggregate over $1,200,000,000. These funds have been collected from policyholders all over the country in the form of premiums. The man who takes out a policy in an insurance company really makes a deposit only slightly different from a deposit in a savings bank. He asks an incorporated agency to take his money and invest it for him, because he distrusts his own judgment. The transaction is really that of a full-grown citizen selecting a guardian, however much its real character be concealed by verbiage. A still larger sum is deposited in savings, national, and other banks in interior cities and country towns throughout the country. Most of it has been by these banks deposited in New York banks, and by the latter loaned out or invested by the directorates before mentioned, along with the insurance reserves. Six hundred mil-

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lions are annually paid in insurance premiums and ten billions deposited in banks. Another great sum is absorbed from the earnings of labor and profits of business by public-service corporations and intrusted to the same directorates. It is not strange, then, that these fifty-one men constitute a despotism, the real government of the nation. It would be strange if they did not so use the power thus placed in their hands by the normal workings of the existing system as to dictate financial and tax laws, coerce or hire the granting of special legislative favors of enormous value, and prevent the passage of every measure calculated to reduce the power thus held or to relieve from abuses of the power practiced by them.

Lawson is but one of many witnesses, and what he relates are but some of the facts adducible to prove that what has been so often charged, and sometimes denied, is true, namely, that we have in this country an established and recognized despotism of wealth. But he falls short of ascribing to it its most important power. True, it is the ruling power in finance; but it rules transportation, the principal thing, to which finance is but one of the annexes. Transportation has come to be more and more the basis of our national finance. It is the basis, the origin, and mainstay of many other institutions about which so much has been written. All the gigantic corporations called "trusts" have their roots in the fertile soil of transportation. We speak of the value of the property of the nation and place it at $100,000,000,000. But how much value would there be without the proximity of a supply of transportation? There is no denying the importance of the fact that Mr. Morgan, Mr. Rockefeller, and a few others have somehow contrived to obtain the power to decide how much or how little of the medium of exchange each individual may receive and use in the

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course of one year. But what is still more important, and is much more obvious, is the fact that they have control also of all steam and street-railway transportation within reach of about ninety per cent of the people, and of many of the other essential adjuncts of modern life. If you are on Fourteenth Street in New York you cannot go any considerable distance with any comfort, and within a reasonable time, without leave of some lord or duke of The Kingdom who owns a controlling interest in the street-railway service; nor can you leave the island without the consent of some member of the group. Being in San Francisco or Denver or Chicago, you cannot travel in any direction without leave of that particular member of the same "system" in control of the particular line over which you may wish to travel. You cannot honestly obtain a scrap of clothing or an ounce of food without buying something into which their control has entered and become part of its value. In short, you are as dependent on them for food, clothing, and adequate means of locomotion as you are upon the Government for its protecting laws; and one might as easily conceive of civilization without transportation as of civilized society without laws. It is true that you are dependent upon the "Beef Trust" for meat, the "Leather Trust" for shoes, the "Sugar Trust" for saccharine; but it must be remembered that you could not even be aided by a monopoly unless it were in turn aided by the great underlying, overreaching monopoly of all monopolies, the transportation trust.

A decade ago we spoke of the great railway magnates as constituting one group, and of those engaged in the oil business, tobacco business, sugar business, iron and steel and banking businesses, etc., as constituting other groups. But now, taking the names of the great railway financiers for a starting point, and running them through, we find the same names not only appearing

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in the directorates of all the great railway systems, but in those of the leading insurance and banking corporations, and in some of the leading industrial corporations as well—the great dominating interest being that of transportation.

Those who have not taken the trouble to investigate, nor thought seriously, have but a faint conception of the magnitude and power of the railroads in the United States. The term "railroads" in this connection includes, of course, the appurtenances of railroad ownership and management, railroad securities, stocks, bonds, etc. The legal holders of these are the owners of the railroads. Whatever affects the earning capacity or permanent value of the physical property—which we are graciously permitted to see and use at a price fixed for us by the owners without our consent—affects the rate of interest on bonds and dividends on stock. These securities are the main subjects of speculation in Wall Street, are pledged as security for money employed in speculation on the stock exchanges of the country, and are bought for investment by trust companies, syndicates, and capitalists. Their use for speculative and investment purposes overshadows all other financial operations. Through the operations of this Kingdom of High Finance labor will be actually enslaved, while retaining nominal freedom. And the people not employed as wage-earners will stand in awe not of those in official authority, but of a tyrant outside the Government that feels not, but only wills, decrees, and executes.

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CHAPTER VIII

EVILS AND ABUSES BY RAILROADS IN PRIVATE HANDS—CONTROL OF LEGISLATION AND POLITICAL INTERFERENCE

CANDIDATES, senatorial, congressional, gubernatorial, and others, make loud and profuse protestations of undying hostility against railroad oppression and every form of monopoly. But somehow it always mysteriously comes about that nothing is done, that platform resolves and eloquent harangues are as sweet music wasted on desert air, that public opinion cannot be crystallized in the form of law; or, if laws are passed, they are the mere skeletons of good intention, the substance of the original bill having been frittered away in amendments proposed by the attorneys and lobbyists of the trusts and syndicates, some of whom sit in senatorial livery within the sacred precincts of the "highest legislative body in the world." It took ten years of agitation, during which railroad discrimination and pillage went unchecked, to secure the passage of the Interstate Commerce act. When it at length saw the light after moldering in committee session after session, it was the mere shadow of its former self, so that the President had no occasion to veto it to preserve "vested rights." All its vitality had already been vetoed by the railroad hirelings in and out of the Senate. The people have groaned under the inflictions and extortions of trusts and railroad pools for many years, and have clamored at the doors of Congress all the time for legislation

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against them. On the eve of elections, and when it was known to be too late to secure their passage, buncombe bills have been introduced for political effect and have gone to committees whence no such traveler was ever known to emerge.

The same "highest legislative body in the world" has within the last thirty-five years given away land out of which seven or eight States of average size might have been constructed, and generously loaned the credit of all the people to the amount of over $100,000,000 to private corporations engaged in private enterprises, and has further accommodated them by paying the interest on the guarantees thus given. The long and strong arm of the law was stretched forth to protect railroad property from trespass in the same year, but Congress came very near granting an extension—equivalent to a gift—of the amount due by the roads, and ultimately made an adjustment with the Union Pacific which lost to the people over $27,000,000.

The amount paid for railroad mail transportation in 1902 was $38,500,000, which was $1,500,000 more than is paid for that service by all other countries together. The same rates are paid as were paid thirty years ago, although freights and fares have decreased one hundred per cent and over. The rates paid the railroads by express companies are only one-eighth what the Government pays for the same weight of mail matter, although the latter is more convenient to handle and there is less risk. The money that will be paid the railroads for this service in 1905 will hardly be less than $50,000,000 at least; four-fifths, or $40,000,000, of which will be extortion and subsidy. If the Government owned the roads, the additional wear and tear of rolling stock and the pay of a few additional employees would be the only cost for this service. Five million dollars annually would fully cover it. This $45,000,-

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000 saved would pay interest on $3,500,000,000, which is about one-half of what it would cost to obtain government ownership of the railroads at a fair valuation.

Now these far-reaching, outrageous discriminations in favor of the rich and mighty are not brought about by fair and honest argument, nor are they fashioned in the hands and brains of statesmen, Christians, and patriots. This is not saying that a majority or large proportion of our national lawmakers and Cabinet officers are dishonest, corrupt, unwise, and unpatriotic; but enough of them are so to turn the scale when a political aspect is given to such questions and the legislative body divides on party lines.

The Senate is such a peaceful, orderly place that it has been very aptly likened to a padded cell. There a senator may fight through his whole term and never make the slightest impression. There Senators Morgan, Mason, Hoar, Teller, and a few others stood for many years exposing usurpations and various forms of legislative and executive wickedness, and their efforts have counted for as little as if they had been commanding the dead to rise from the grave.

Ex-Senator Mason, of Illinois—who, be it said to his everlasting credit when the reasons are considered, failed of a reëlection to the Senate—stated recently that ninety per cent of the bills before Congress are there all the time. They are introduced at the beginning of one Congress, only to die on the files at the clearing of the calendar at the beginning of the next Congress; to be reintroduced, to hang on for two years longer, to die again, and rise again while Congresses continue to come and go. This, he says (and results justify full belief in his statement) is because the private interests in the Senate will not permit these bills to come to a vote and so reach a settlement of the questions involved. What are these private interests? The railroads and

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industrial monopolies. How do they strangle legislation other than that which promotes special interests? Through partisan and boss tyranny.

One naturally hesitates to write disrespectfully of our highest and traditionally most honorable legislative body. But one having on his side truth and a good motive need not fear or hesitate to speak frankly to Americans, even concerning their idols. Expressly and by implication the Senate and individual senators have been much accused and ridiculed in public speech and print, and yet the people, not having before them the proofs, are inclined to disbelieve that where there should be such exalting influences there can be more than an occasional instance of dishonor and of surrender to debasing and corrupting influence. They are probably justified in consoling themselves with the assumption that only a minority are subservient to other than patriotic inducements to action and non-action where public interests are vitally involved.

It has been only within the last decade that indisputable evidence has appeared that the Senate is boss-ridden like town councils and other legislative assemblies. From the day that Marcus A. Hanna entered the Senate to the date of his death he was a very potent influence in shaping and preventing legislation; and since he died a certain other senator has been generally known as the dominating voice on the side of the majority, at least on all questions affecting certain great private interests intrusted to his watchful care. This power he exercises not by reason of any great degree of statesmanship, but because his character and practical training peculiarly adapt him to perform the kind of work that the great financiers desire to have done in and about the Senate. When one examines his career, his political performances in the State that elects him, and the meager opportunities to become qualified for

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the great office which he holds, one may be excused for inquiring why his party associates have permitted him to become a steering committee of one, as well as the head of one of the committees, the most important and convenient for illegitimate uses. The assertion of his boss-ship of the Senate, and therefore of the party in power, has ceased to be debatable. He is sometimes called the "Keeper of the Senate's Conscience," sometimes as the "Power behind the Throne," and at other times the "General Manager of the United States." Perhaps it would not be amiss if he were recognized as the possessor of all these titles. He is ardently devoted to and identified with high finance of the kind described by Lawson. In view of his intimate personal and other relations to the Rockefellers, as well as his identity with the dominating powers in the world of finance, it is cause for wonder that the Senate would so despise and ignore public opinion as to tolerate him as its leader and virtual dictator in important matters of legislation. He hails from one of the small States, but while he ably represents that State in the way that its people desire to be represented in the Senate, John D. Rockefeller could not more faithfully represent Wall Street were he elected by the Standard Oil syndicate and admitted to a seat there. If we suppose Wall Street to represent England, and the balance of the United States to represent India, then this senator is the Viceroy. When any question arises as to the fiscal policy—that is, the fiscal policy of Wall Street, the United States having none—he obtains instructions from the trust and bank financiers of New York, Boston, and Philadelphia. When the laws he and those who keep him in the Senate require have passed, and the measures they do not want have been smothered or killed, he takes a vacation, and there can be no more legislation of a general nature at that session. His abso-

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lutism, and the abject submission to it of the Senate, is the curse of party rule exemplified in its most infamous as well as its most humiliating aspect.

Since the Senate possesses an absolute veto on measures passed by the House; and since it has of late usurped more and more the prerogatives of the Executive, and thus become practically the Government; and since that Government readily responds to the will of the Senate boss and stands for the interests of a few men in Wall Street only, the statement so often heard, that the time will soon come when this Government will be a Republic in name or form only, may as well be revised and the present tense substituted for the future.

Among the great interests represented by the Senatorial boss is the Pennsylvania Railroad, the richest railroad corporation in the world, said to uniformly influence the election of, and always carry on its pay roll, at least five United States senators. The accumulative power in Congress of that company is illustrated by the history of its terminal facilities at Sixth and B streets in the heart of the capital city. There for thirty years it has occupied depot and switch-track space on property of the United States, a property which at any time during that period would, but for its occupancy, have sold for over $1,000,000. For this valuable privilege it pays not a penny to the Government. A fair rental, say the equivalent of six per cent, would have amounted to $1,800,000 to date.

A great conspiracy of silence and absorption makes it possible for many tyrannies to be perpetrated under the innocent titles of congressional statutes affecting the people in their purchases and incomes without people knowing it. Sinister provisions, carefully worded, are sometimes nicely tucked away in the folds of blanket measures. For instance, in the Dick Military bill, every able-bodied citizen between eighteen and forty-five years

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of age is made a member of the National Guard, subject to be called into active service at the will of the President. In case of another railway strike such as occurred in 1894, or coal-workers' strike such as that of 1902, every member of the striking union may be called upon to put down his own strike, and court-martialed if he does not obey the order. How many members of trade unions know of this provision? The monopolists all know of it, because they are endeavoring to exclude from employment all over forty-five years of age, and in some instances all over thirty-five. It is thus seen how easily a President elected with the aid of trust contributions can nullify a strike order.

The outer and superior force emanating from the transportation interests of the country also reaches the executive heads of the Government, especially when they have presidential aspirations. On May 24, 1905, Hon. W. H. Taft, representing the administration, delivered a "keynote" speech to the Republican State Convention at Columbus, Ohio, in which, after explaining the provisions of the Esch-Townsend bill, and pointing out that it does not give a commission any power to go into a general process of rate-making, said: "We can certainly trust our lawgivers to respond to the popular demand and to regulate the railways, so far as they ought to be regulated, without interfering with that control over their own property and with that motive for efficiency and economic management which are still required to make successful the enormous business of railway transportation in America." Judge Taft is a man of too exalted character to be consciously influenced by corrupt or even questionable motives; but is not the foregoing just about what Mr. Harriman—the Standard Oil director in numerous railroad directorates—and Mr. Gould will find it convenient and profitable to repeat in attempts to have underwritten and floated new

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stock and bond issues which have been authorized, and others in contemplation? Could Wall Street ask more than is here promised? Do these words read as if the President were going to quarrel with the senatorial programme, "We can certainly trust our lawgivers to respond to the popular demand," etc.? This felicitous state of trustfulness is no doubt inspired by the Senate's past performances in responding to such, and only such, popular demands as reached it through Wall Street agencies.

In but few of the States is any legislation possible affecting in any degree railroad interests in which the dominating influence of the twin rulers, the party boss and the railroad, do not enter; also few in which, in order to exercise their power, they do not select enough of the party candidates to make their sway complete.

A New York paper which makes a ferocious fight against railroad and other monopolies on side issues, but takes care to keep in their favor by opposing each and every remedy that is proposed, makes the proposition for Federal rate regulation a pretext for saying that, "as another long step in the direction of extreme centralization, Federal supervision of rates will offer organized capital new inducements to seek to control presidential elections." That is a confession that monopoly power has reached a point in this country that the Government dare not take any step against it, lest it exercise that power to subvert the will of the people at the ballot box. And it is no doubt true that the power would be used to nullify any measure designed merely to regulate rates by interference in elections as suggested. It might be answered that monopolies control elections for President by financing campaigns, even without this incentive; but instead of the people retreating, or longer submitting to it, they should resort to the remedy of government ownership, which will eradicate the intoler-

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able evil. Government ownership of public utilities will, in addition to benefiting society as a whole financially, rid it of the one great danger, the one element of sure destruction. Nine-tenths of the public corruption has its source in dealings between owners of natural monopolies and the various departments of the Government, local, State, and national. The intermediary or go-between, without which this species of crime could seldom be committed, is the party boss. Sometimes he goes to those seeking control of the franchise, easement, exclusive contract, or privilege, as the representative of public officers; but oftener he approaches the latter bearing a commission and a "fee" or "retainer," more properly called a corruption fund.

The senatorial atmosphere at the capital is now such that unless a newly elected senator yields to the reasoning advanced by the monopoly lobby, and conforms his conduct to the *régime* of the Wall Street despotism, he might socially just as well be a Hottentot; and his relations with those senators who control legislation render his term there about as pleasant as if he were without a passport in a foreign country whose language he could not speak. The Senate was created not, as so often asserted, to constitute a check upon hasty legislation by the House, but as a check upon the people, who, by the way, are now of sufficient intelligence to know their own wills. The Senate might very well be abolished; but lest a majority could not agree to dispense with it entirely, the next best thing would be to make it elective by popular vote.

Few of those who will read this have seen or are thoroughly convinced that there exists a back-door as well as a front-door entrance from the real seat of government in Wall Street to the seat of nominal power at Washington. But that it exists and is much used may be just as safely asserted as that men's acts speak

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more convincingly than their words. When one looks in upon the Senate he may not see anything out of the way. There is considerable dignity and formality and some good acting of the farce entitled, "How not to do it, and yet seem to do it," and that is all. A little investigation will disclose a very quiet gentleman darting in and out. Don't mistake him for the sceneshifter. He is the stage manager, otherwise known as the party boss. Do you ask how he obtained the position? He is elected and reëlected at the dictation of Wall Street. Now you understand the Siamese twinship between "High Finance" and the Senate. You have also found the connecting link. The people must capture the senatorial stronghold. They can do this with what they have left—their votes.

There is still another, a positive and far-reaching evil, seldom discussed in public form, which comes as properly under this head as any other. It is the subtle, coercive influence upon citizens with respect to their private conduct and business and their political utterances.

The country swarms with railroad spies, secret-service men, and eavesdroppers. Institutions maintaining secret-service systems, whether political, quasi-public, or private, are almost invariably tyrannical. Neither free governments nor honestly conducted corporations require spies to follow and watch law-abiding citizens. This practice started with the Standard Oil Company at the very beginning of its war on independent producers and refiners, and was borrowed from that institution, and is now a well-established department of every railroad of consequence in the country. The espionage extends not only to all employees of the company, but to all professional and business men—to everyone who may, at any time, exert an influence politically or financially inimical to the interest of the corporation. Any one of these classes runs a risk of sometimes having any hos-

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tile expression reported to the management and used against him to prevent the consummation of some object dear to his heart or vital to his material interest.

Henry D. Lloyd, in "Wealth against Commonwealth," says: "Monopoly cannot be content by controlling its own business. It is the creature of the same law which has driven the tyrant to control everything—government, art, literature, even private conversation. Any freedom, though seemingly the most remote from any possible bearing upon the tyrant, may—will—grow from a little leak of liberty into a mighty flood, sweeping his palaces and dungeons away. The Czar knows that if he lets his people have so much freedom as a free talk in their sitting-rooms, their talk will gather into a tornado. In all ages wealth, like all power, has found that it must rule or nothing. Its destiny is to rule or ruin. Hence we find it in America creeping higher every year up into the seats of control. Its lobbyists force the nomination of legislators who will get passed such laws as it wants for its judges to construe."

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CHAPTER IX

EVILS OF, AND ABUSES BY, RAILROADS IN PRIVATE HANDS —UNREASONABLY HIGH RATES, HEREIN, OF FRAUDULENT AND INFLATED ISSUES OF SECURITIES, COMMONLY KNOWN AS "OVERCAPITALIZATION"

OVERCAPITALIZATION, which, whatever its original purpose, is now, in the case of nearly every railroad, used as a cloak for the concealment of extortionate rates, so connects itself with the question of rates as to render it practically impossible to give them separate discussion. Therefore they are here treated in the same chapter. Overcapitalization is the swelling of railroad and other corporate indebtedness by the issue of stock and sale of bonds to represent exaggerated or non-existent capital.

If the results of such transactions were confined to investors in the stocks and bonds, the evil would be of a limited extent and a subject of only quasi-public importance. But the corporations whose officers water stocks and create excessive indebtedness are natural monopolies, and as such, whether by our grace or against our protest, hold in their grasp our commercial and industrial affairs to a very great extent.

Mr. David A. Wells, in "Economic Changes," estimated that the cost of constructing railroads, owing to the extraordinary reduction in the price of rails and to the invention of excavating, blasting, and other labor-saving machinery, had, in 1889, decreased one hundred per cent. He instances the case of one of the leading Northwestern roads which in 1870 bonded a line of 126

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miles, upon which considerable tunneling was necessary, at $40,000 per mile, and states that in 1889 (when he made the estimate) the cost of constructing the same road would not have exceeded $20,000 per mile. Since 1889 still further improvements have been made, reducing the cost of blasting and excavating at least one-third, and the price of steel rails has still further materially declined, so that it may be safely asserted that, in the absence of extraordinary engineering difficulties, railroads may now be constructed, capable of constant service with the heaviest traffic, including depots, terminals, ordinary bridge construction and tunneling, where the lines extend long distances, exclusive of equipage, at an average cost of $15,000 per mile.

That the above is not an unreasonable or an exaggerated estimate of the reduction in the cost of railroad construction the following facts and figures will prove. To construct the main line of the Union Pacific from Council Bluffs to Ogden would not now cost more than many of its numerous branch lines, which have been built at from $8,000 to $15,000 per mile and capitalized at three or four times, and in some instances five times, their cost. For instance, 107 miles of the Kansas Midland, including all equipment, only cost $10,200 per mile, thirty per cent of which was donated by the municipalities along its line. And the Union Pacific, from Eldora to McPherson, Kan., cost less than $10,000 per mile. According to the estimate given by the Union Pacific Company to the Utah Board of Equalization, a few years ago, the average cost of the Utah Central was only $7,298 per mile. By the latest issue of "Poor's Manual" it appears that the average capitalization of the Union Pacific is $78,000 per mile, that of the main lines being $134,000 per mile. Henry Clews, in "Twenty-eight Years in Wall Street," says:

"After the Thurman bill had been sustained by the

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Supreme Court, Mr. Gould had a plan to build a road from Omaha to Ogden, just outside the right of way of the Union Pacific, and give that road back to the Government. It would give others a 'chance to walk.' The Government tried to squeeze more out of the turnip than was in it. For $15,000 per mile, or $15,000,000 for the entire length of the road, a road could be built where the Union Pacific absorbed $75,000,000."

If it be conceded that the owners of railroad property should, like the owners of other property, themselves stand the loss of shrinkage in values resulting from economic changes, then fair capitalization should not be above the present cost of reproduction per mile for roadbed and trackage. The proportion of value between rolling stock and roadbed varies according to the route, terminal point, and character of traffic; but taking an average road, doing a miscellaneous traffic and traversing almost every character of territory—the Baltimore & Ohio, for instance—we find the proportionate value between the equipment and stationary property, as given by the officials of the road in their report for 1892, to be about one to three. Here again it should be borne in mind that the cost of manufacturing engines and cars has decreased within the past twenty years fully one-third. The estimates given by railroad officers in reporting rolling stock as assets are uniformly based on first cost, without any reduction on account of decreased cost of production and deterioration from use and age. In reaching actual values of rolling stock we can, of course, only approximate; but if we reduce the estimates of railroad officials fifty per cent we shall still be on safe ground. Placing, then, rolling stock at one-third value of roadbed per mile, we find the approximate average value of railroad property, fully equipped, to be $20,000 per mile. In 1892 there were 171,570 miles of fully equipped steam rail-

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way in the United States. At the above valuation it would be worth $3,431,400,000. In 1902 there were 195,385 miles, which, at $20,000 per mile, would now cost to reproduce $3,907,700,000. We find all these railroads capitalized as to stock, in 1892, at $4,863,-119,073, or at $28,345 per mile. In 1902, 195,385 miles were capitalized as to stock at $5,806,566,204, or $30,568 per mile. The interest-bearing indebtedness aggregated $5,405,049,969, or $31,503 per mile in 1892. In 1902 the interest-bearing bonded indebtedness aggregated $5,881,580,887, or $30,963 per mile. Both forms of liability amount to $59,848 per mile in 1892, and $61,531 per mile in 1902. Now if this stock valuation, or even the real value, represented actual investment, the returns would not be unreasonable. But what are the facts? The stocks on which dividends are paid represent but little cash actually paid by the stockholders. Bonds are usually issued and a loan procured before a spadeful of dirt is moved. Construction and betterment are almost invariably prosecuted from the beginning upon credit; so that the money paid by the patrons of the railroads in fares and freights, to keep down interest and pay the principal of bonded indebtedness, goes to liquidate liabilities incurred at the start by the owners of the property, and any dividends paid to the latter in excess of these charges is, for the most part, an extra bonus on what they owe, and not income from actual investments. In reality, on the showing of the railroads themselves, the public are paying the enormous debts incurred in the purchase of the railroad property of the country at a grossly exaggerated purchase price, or paying the interest on it—which is the same thing—and paying in addition dividends to the owners of an equity of redemption which is worth a great deal less than nothing. The showing is much worse if we take the actual value of the roads based

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upon the present cost of reproducing them. The difference between this value and the bonded indebtedness was, in 1892, in round numbers, $1,973,000,000, and in 1902, $1,963,880,887. The difference between value and stock capitalization was, in 1892, $1,431,719,073, and in 1902, $1,898,866,204; that is to say, real value is less than two-thirds of stock capitalization, also less than two-thirds of bonded indebtedness. It is 33.4 per cent of combined stocks and bonds in 1902, almost exactly one-third.

The interest charge for 1892 was $232,000,000, and dividends $81,000,000, aggregating in round numbers $311,500,000, or a fraction over nine per cent of actual value, so that the cost of transportation for persons and property amounts to enough, in about eleven years, to purchase the railroads outright at their actual value, or to reproduce them newly and modernly equipped.

In this connection it is important to understand that betterments (repairs and improvements) are reckoned as operating expenses and annually subtracted from gross earnings to find net earnings out of which interest and dividends are paid. Neither is it an adequate showing of railroad extortion to take a dead level or average of dividends for a single year of complete statistical information. In 1890 the average was over two per cent; in 1888 it was four per cent. In 1902, 1903, and 1904 it was over five per cent, when we include dividends concealed in rentals and as interest on bonds issued to represent stocks.

In "American Railroads as Investments," Mr. Van Oss has analyzed the methods of stock watering and given some striking illustrations. On page 125 he says: "In the main there were six different ways of inflating the capital of American railways: 1. By fraudulent issues of bonds and shares as a downright swindle or

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for speculative purposes. 2. By paying too much for construction. 3. By purchasing properties at excessive prices. 4. By buying superfluous competing lines. 5. By selling bonds and shares at a discount. 6. By declaring stock dividends. Fraudulent issues, of course, were the worst form of 'watering.' The issue of securities of chimerical companies, sold in Europe for whatever they would fetch, has little to do with our purpose, since it was an ordinary fraud which might have been perpetrated as well with canal, steamship, or any other securities. The fictitious issue of stock for the purpose of manipulating the market, however, was of more direct importance to shareholders. The Erie Railroad has been cursed with it more than any other railway. 'Jim' Fisk and others increased the share capital of that company between 1868 and 1872 from $17,000,000 to $78,000,000, mainly to manipulate Wall Street. In the same manner, though not in the same proportion, the thing was worked all over the Union, especially in connection with the Pacific roads, a group of railroads which has seen more frauds than any other."

In the nature of the case, no history in detail of railroad construction and finance can be here given. But they have been, as a rule, conducted openly, without an attempt at concealment. It has been shown conclusively by facts and figures, by reputable and well-informed writers on the railroad problem, that the stocks rarely represent any actual investment. The usual, if not the universal method of incipient financing a railroad project was to organize the company, spend a few thousand dollars for surveys and rights, issue the stock to the promoters, and then issue and sell construction bonds in amount sufficient to pay the cost of building the road. Out of the proceeds of sale, the cost of surveys, rights of way, and charges of promoters for ser-

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vices in the preliminary work were also paid. Whatever stocks were afterwards sold to the public were sold by the incorporators, the proceeds not going into the road but to the individuals. Of course there may have been exceptions to this method, but such exceptions are inconsiderable in amount. So it is a correct proposition that the bonds exclusively represent investment in railroad properties, and all, or nearly all, the value that has been given to stocks, while not exactly artificial value, yet is value which attaches because of earning power over and above that which usually attends the investment of capital in business.

The water has been put into the stocks by such men as Gould, Morgan, Rockefeller, and others, who have rigged the stock exchanges and sold them at inflated prices projected on incomes which represent frauds and extortion made possible by the possession of monopoly in private hands. Let those who have permitted themselves to be loaded up with these stocks unload them back to those who sold them. Now is the time to unload. If they have to unload at a loss, the loss will be less now than if they wait for a subsidence of the tide now rising against monopoly. It is not going to subside. It is erroneous to suppose that the vast funded indebtedness of the railroad companies is held by strangers to the stockholders. The amount of the bonds in the hands of the public is trivial in comparison with the amount held by those who own the stocks in blocks representing millions. Where would a person seek the bonds of the Vanderbilt, the Gould, or the Harriman roads? If he sought them elsewhere than in the strong boxes of the principal stockholders he would seek them in vain. The bulk of the stocks and bonds are not only owned and held by small coteries of individuals, but are used by them in the stock exchange to "bear" and "bull" for speculative purposes those outstanding.

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Many people have wondered why in every struggle to prevent the expansion of the circulating medium, the railroad companies of the country are found arrayed on the side of contraction. The reason is apparent enough when we reflect that the stockholders—that is, the owners—are the principal bondholders and creditors. Little do they care how much the Government contracts the volume of the currency so long as they possess a monopoly of the inflation business. So long as they can clip their coupons semi-annually, the larger the dollars specified in the bonds the better for them and the worse for the people who ultimately have to pay them. By the processes of refunding and reorganization, the indebtedness is increased and extended indefinitely, for well do money lenders and syndicates know that they have as security for payment of principal and interest not only the railroad properties, but also the earnings of the people dependent upon the railroads for service. These bonds do not represent outlays of actual cash.

The creating or floating or "financing" a great railroad indebtedness is a fine art, too complicated and wonderful for the common understanding; but by study of the reorganization of a broken-down company or of any consolidation scheme, it will be seen that most of the bonds represent other bonds, which themselves represent small values or outlays. A recent practice is the issue of bonds to represent stocks placed in trust. Often they are issued for a controlling amount of watered stock, which in its turn represents merely a worthless equity of redemption.

The foundation of the nation's prosperity is the production of crude and semi-crude material, the growth of cereals, sugar cane, sugar beets, cotton, wool, fruits, vegetables, hogs, cattle, horses, the output of metallic ores, oils, coal, lumber, and fish. These products rarely

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reach the second stage of manufacture at the place of original production, but must be transported in bulk hundreds and thousands of miles. Hence it is of the greatest importance that their transportation should be burdened with as little charge for freight as possible. While legislatures have in some cases fixed arbitrarily low passenger and freight rates, such legislation has often been set aside by the courts on the ground that it amounted to confiscation, the contention that the companies were entitled to collect rates sufficient to enable them to pay moderate dividends, in addition to operating expenses and fixed charges, on their exaggerated and inflated capitalization, being dishonestly or ignorantly conceded. Of course such an issue does not admit of an investigation into the question of proportion between actual value, which should form, and capitalization, which does form, the basis of calculation. When told, in answer to complaints against high charges, that dividends on the stock of the corporation in question are only a moderate per cent, the courts have accepted this as conclusive evidence of only moderate return for capital invested, whereas, if a thorough investigation were instituted, they would have seen that it was such per cent on three times the actual investment.

The latest estimate of aggregate net earnings by all the railroads of the United States for one year, given by the Interstate Commerce Commission, places the amount at $605,616,795. That estimate is contained in a report dated December 15, 1902. From the same report it appears that, compared with the preceding year, the net earnings were greater by some $51,000,000. And as showing how rapidly the profits of the railroads have increased, a period of five years is taken by the commission, and it is shown that in 1897 the net earnings per mile were but $2,012, whereas for

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the year 1901–2 they amounted to $3,100. Thus is seen how monopoly in private hands takes advantage of any period of prosperity to take unto itself the cream of all profits. And in this connection it is to be noted that this was a period of progressive consolidation of great railway lines. But let us look a little closer into the foregoing figures. Statistics show that the average annual profits of all business done in the country, one year with another, is about three per cent. That is to say, three per cent is added to all capital in the nation; or, putting it in a new form of expression, over and above the expenditures from profits of business and earnings of labor, a value equal to three per cent of all prior investments is added thereto. Now, if railroad owners fared equally with those engaged in other lines of business, they would, in order to earn $605,616,195, require an investment of $20,153,893,133. But, in fact, it is susceptible of easy demonstration that, without subtracting anything for the waste which has characterized railway construction, especially in its early stages, not more than one-fourth of the above sum has been invested in railroad property. The report of the commission for 1902 gives the aggregate of railroad interest-bearing bonds as $5,048,811,611. Funding obligations, such as debenture bonds, equipment trust certificates, of a temporary character, need not be noticed, being merely features of current financing. In other words, eleven per cent on the investment is being drained from the country's production each year. The question is not how long the people will submit to it, but how long can they endure it? And let it also be noted that this exorbitant income was extorted as fares and freights while a commission sat, practically with folded arms, notwithstanding strict and comprehensive statutory provisions giving it power to declare exorbitant rates to be unreasonable. And now, instead of

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striking at the root of the evil, it is proposed to enact more "regulations."

In 1904 the railroads earned $9,258 gross per mile, and $3,133 net per mile. Now this net result is reached after deducting rentals, amounting to a vast sum impossible of ascertainment, included in operating expenses, most of which was distributed as dividends to stockholders of leased lines. But, disregarding that obvious concealment, and allowing $30,000 per mile—a liberal estimate—as the cost of constructing and equipping the roads, here is an annual net profit of over ten per cent on an investment which is safer than any other that can be found; safer than in improved real estate in the cities, which pays its owners, on an average, not more than four per cent net; as safe as Government bonds, which, at two per cent, sell at a premium. Such an advantage given to a single line of business, wherein such a large proportion of the country's capital is invested, is already beginning to be felt by all other lines of business, and will hereafter be felt more and more. The advantage is, as is already shown, increasing year after year.

There is now a deep-seated general and false theory relative to the basis of transportation rates. Even so valuable a friend to the cause of reform as Governor La Follette seems to have accepted the perverted but prevailing view. In a recent issue of the *Saturday Evening Post*, speaking with reference to the rights of railroad companies in connection with congressional legislation, he says: "They are entitled to such remuneration as will enable them to maintain their roads in perfect condition, pay the best of wages to employees, meet all other expenses incident to operation, and, in addition thereto, enough more to make a reasonable profit upon every dollar invested in the business." Now, while all these results of railroad operation may be desirable, it

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is not the business of Government to guarantee them, thus going into the insurance business; nor even "to preserve all these rights by the strongest protection which the law can afford," as he suggests in the next sentence. The Government should first consider the interests of the public and secure to them reasonable rates, whether any profit remains upon the money invested or not. If private ownership will not manage and operate the property except at a profit, and if to insure a profit a rate must be exacted which is unreasonable, it is the obvious duty of Government to do that which is necessary to provide the service at a reasonable rate, and to that end construct new plants with modern equipments, or take over existing plants at their true value, regardless of cost, such value to be estimated with regard to improvements that have been made since their construction. The learned gentleman proves the expediency as well as justice of this measure of valuation by the logical import of his next paragraph, as follows: "But the public, each community and every individual, has rights equally precious. Upon the railway companies rendering an adequate and important service at reasonable rates all general prosperity is dependent. Deprived of these, every community is checked and limited in its growth; every business of whatever nature must languish and fail. The denial of an impartial service at reasonable rates is the denial of equal opportunity, the denial of a 'square deal.'"

If increases of stock capitalization, after main lines were built and fully equipped, were only made to pay for improvements and extensions, the people would have less cause for complaint. But it is a common practice, when dividends have increased to such a point as to attract public attention and place the stock far above par, to declare a stock dividend—sometimes twenty-five and at other times as high as fifty per cent of the out-

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standing issues. It is considered by railway managers as strictly a private and entirely legitimate business affair, with which the public should not concern itself.

The simplicity of some of the defenders of the present railroad systems and practices is amusing. Mr. McCall, of Massachusetts, in an attempt in the House of Representatives to refute the charge of inflation of capitalization, used as part of a vicious circle in argument these words: "Why, the New York Central Railroad, which has been referred to, has within ten years increased its capital many millions of dollars, and has received in its treasury twenty-five per cent more money than the par value of the new stock it issued. The Pennsylvania Railroad within two years increased its stock fifty per cent, and it received in money from twenty to forty per cent more than the stock it issued. Only the other day a great New England railroad issued a large number of new shares and received $170 for each share of the par value of $100. Many instances of a similar character might be cited." Hereafter the extraordinary profits derived from unreasonably high rates on these roads will be spread out to cover the new shares that the patrons who are paying little attention to railroad finance, or do not understand it, may not discover that rates are high, and may not become of the class of "agitators" for whom Mr. McCall has an extreme contempt.

While, as we have shown, there is no inherent evil in overcapitalization—at any rate, none making it worth while to discuss it as a political question—yet as a trick or device for concealing profits—an office it performs aside from its stock-jobbing purpose—it warrants considerable attention. Men owning manufacturing plants worth millions have combined with men controlling money and securities worth other millions, and, without adding a dollar to the real wealth of the nation, have

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capitalized the new association, thus created, at several times the actual value of the aggregations, partly in bonds and partly in stock, and are extorting profits from the consuming public and disbursing them in the form of dividends on an enormous amount of fictitious capital. But this gigantic imposition is of the same character as that inherent in railroad financiering already so fully described. To ascertain the full extent of the injustice done the people in the matter of retail prices of what they buy from merchants, both impositions, those of the railroads and those of the manufacturing trusts are to be added.

Newspaper writers either do not comprehend or they misrepresent the true significance of a new issue of railroad securities. Recently, when President Harriman, of the Union Pacific, obtained consent of the stockholders of that company to issue $100,000,000 preferred stock, a leading San Francisco morning paper editorially congratulated the people of the States, dependent, in whole or in part, upon that road for transportation, upon the success that had crowned Mr. Harriman's effort. The editor assumed, of course, that the burdens of an indebtedness, or liability, created by a common carrier, and its inseparable annual charges, are matters which concern the company and its stockholders only. After stating that no hint was given out at the meeting as to the purpose of the new issue, he conjectured that, among other possibilities, the Sierra Nevada Mountains would be tunneled at a cost of from ten to twenty millions of dollars, thus dispensing with the cost of maintaining snowsheds, etc. Incidentally, this indicates an early consolidation of the Union Pacific and Southern Pacific properties, because the Central Pacific, part of the Southern Pacific system, crosses the Sierras, while the Union Pacific does not touch them. In this connection it is to be noted that the Southern

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Pacific, also under the control of Harriman, recently issued and marketed refunding bonds of the face value of over $160,000,000. Now, preferred stock, while not a lien on the property of a company, is practically a lien, to the extent of specified dividends, upon net earnings. In this respect the preferred stock issue is worse for the people dependent upon the company for transportation than would have been a bond issue for the same amount and having interest equal to the dividends pledged to be paid on the preferred stock, because, when the interest is not paid, the bondholders foreclose and take the property for the debt. In that case there would merely be a change of ownership and an extinguishment of the interest charge, which would make no particular difference to the patrons; whereas, though the holders of preferred stock cannot foreclose, yet the dividend charge may run on forever.

But here we see all this $260,000,000 and this annual charge fastened upon the people of the States and Territories traversed by these railroads without their consent. No doubt the $100,000,000, or whatever sum is obtained for the Union Pacific issue, will be used for improvements (called betterments) and extensions, which may be indirectly a convenience to the patrons. The improvements may also reduce operating expenses, but that will never cause a reduction in fares and freights. So, in sum and substance, the transaction simply amounts to this: that Mr. Harriman, for the immediate improvement of the property of himself and a few other individuals, has mortgaged its future profits; that is to say, the future profits of the industry and business of all the people compelled to use these roads as common carriers. For instance, he uses, we will say, $20,000,000 to construct a tunnel, in order that he may save expense and reduce time. While that may be a public convenience, the real motive is the fore-

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stalling or outstripping of a competing road, and the more securely buttressing of his monopoly, which also signifies not a reduction, but the maintenance—probably an increase—of rates. For the same strategic and strictly private reasons some of the $100,000,000 will be expended in the construction of extensions and branch lines through sections in which they will at first be operated at a loss. Such losses must be made good through higher rates imposed upon the patrons in the more densely settled sections where the existing road has a monopoly. Thus the people along the present lines of Mr. Harriman's roads will not be benefited, but both themselves and their posterity will be considerable losers by Mr. Harriman's haste to gratify his inordinate ambitions as a railroad king. How much better it would have been, in view of these subsequent developments, if the Government in 1897 had foreclosed its lien upon these roads. The difference is that, in that case, these roads would now belong to all the people and no $240,000,000 inflations would be needed; whereas, the people now belong to the roads and must submit to such inflations.

This is but one illustration of the methods by which all the railroads have been and are being "financed." New issues to the amount of $550,000,000 were marketed during the first four months of 1905, and more were in prospect. The railroad policy appears to be to expand credit in the process of consolidation and concentration of management during this period of business activity in preparation for the period of financial depression which they clearly foresee, whether the people generally do or not. The oligarchy is determined that there shall be no rate-cutting, receiverships, or loss of interest and dividends during the next depression, as from 1893 to 1898, no matter what fate overtakes other business.

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It is generally believed in Wall Street that the refunding of the Southern Pacific bonds at this time is a step toward putting its common stock on a dividend basis. Very likely. But people are giving themselves no concern about this transaction. They will postpone their kicks until freight and passenger rates are raised to pay these dividends; but then some wise court or court commissioner will decide that the stockholders are entitled to a "reasonable return on their investment." Of course the road was built and equipped out of Government subsidy and from the proceeds of the original issue of bonds, the stock being pure bonus to the promoters.

Recurring again to the latest report of the Interstate Commerce Commission, we find the total of net earnings for the year ending June 30, 1902, to have been $605,616,795; but these figures are not analyzed to show what portion of this sum was paid to stockholders and what portions were otherwise paid. But the total for the year ending June 30, 1901, is analyzed (page 74), and is fairly representative of years preceding and subsequent. Of course a comparison of the total for that year with that of the succeeding year shows in a clear light the continual and enormous increase from year to year of the net income from private ownership and control of the roads, such increase for that single year having been $47,488,028, and the aggregate equivalent to eleven per cent upon the investment (estimated at $5,000,000,000). Now, again, taking the aggregate of net earnings for 1901, we note that it is merely the net income from operation, and that it does not include other resources. For instance, leases of roadbeds to other companies ($111,637,907), stocks of other corporations owned by the railroad companies, for instance, Standard Oil stocks, packing-house stocks, construction-company stocks, stocks of other

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railroad companies, etc. ($28,822,788), interest on bonds owned ($12,055,312), and miscellaneous income ($27,230,442), aggregating $179,746,449. Adding this to $558,128,767, we have as net income $737,875,216. For the year 1902 the commissioners give $605,616,795 as the net earnings from operation alone, but do not give the income from those other sources. Supposing them to have been the same as in the preceding year—and they were undoubtedly much more—we have a grand aggregate of profit from railroad control for 1902 of $885,363,244. The commissioners find that all disbursements from total net income for 1901, on accounts other than as dividends, were $496,363,898, leaving to be disbursed in the name and form of dividends, or available for surplus, $241,511,318. But the commissioners do not proceed at this point, as they should, to inform the public what portions of this larger sum really went to pay dividends. Though disbursed and received under other designations, an investigation would disclose that a very considerable sum should be taken from the larger and added to the lesser of these two sums. For instance, the Hill-Morgan syndicate, comprising a combination of the Northern Pacific Railroad and Great Northern Railroad, otherwise known as the Northern Securities Company, take over the great Burlington system, issuing to the stockholders of that company two dollars in four-per-cent bonds for each dollar of stock held by them. This interest is paid semi-annually, and is really not interest but an eight-per-cent dividend on the stock of the Burlington. The bonded indebtedness proper, of the Burlington company is a separate and independent matter. It is not claimed that the data and figures here given in regard to that deal are exactly correct, but they are approximately so and fairly representative of numerous others in the gigantic scheme of railway

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finance. So when, upon a consolidation scheme, the parent company absorbs subsidiary companies, a lump sum is often paid to the latter as rental, and is divided among the stockholders of the latter in the form of dividends. Such rentals, though not appearing as such in the report of the Interstate Commerce Commission, because not reported to it as such, nevertheless represent dividends pure and simple. And altogether a thorough investigation, such as it is the duty of that body to make, would disclose that a very large proportion of the sum given as disbursements for other purposes than as dividends are really made upon stock. The "bonds" issued upon stock deposits, amounting in the aggregate to $600,000,000, are for all practical intents and purposes stock certificates, the "interest" paid on them being in reality dividends. The same is true of disbursements in the form of rentals, also being considerable in amount. In all such cases the lesser companies have disappeared from the railroad world as operating companies. As a rule, the lessee companies alone make reports and have their stocks dealt in on the exchanges. And the same is true where the stocks of a merged company have been deposited in trust to secure bonds, as in the case of the Chicago, Burlington & Quincy. It is well to understand these facts, in view of the fact that they are usually evaded or overlooked by writers and speakers on this subject, who endeavor to show that the railroad owners of the country are only receiving a "reasonable return upon their investments."

The Industrial Commission, in its report submitted to Congress, December, 1901, stated: "Summarized, we conclude that the advance in the published freight rates upon all the railroads of the country is probably not less than twenty-five per cent." This report was made to Congress after a prolonged investigation. It

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had reference to the increase since 1897. During that period of four years the increased rates upon coal alone amounted to over $100,000,000; nor have they since decreased.

By the increase of rates of transportation the cost of living has been greatly increased during a period when the greater volume of traffic and improvements in the mechanism of railway service should have caused a considerable decrease in rates. The improvements consisted, among other things, in the increased quantity and weight that could be carried in each car, as well as in the increased power of locomotives, whereby a greater number of cars could be hauled. The cost of the service was also reduced by the elimination or reduction of curves and grades. It will be noted that these improvements simply added to the wealth owned by the companies, and should have been paid for out of the surplus of income after the interest on the bonded indebtedness was paid; but, instead, they were charged as "operating expenses," and most of the surplus used to pay dividends. As showing how little just cause there was for the great increase of rates, the following facts and figures are significant: Each locomotive now carries 51,265 tons of freight, whereas in 1897 it hauled only 36,362 tons; and the capacity of cars has increased at least twenty per cent. All admit that a fair basis of estimate is by the freight-train mile. In 1897 the average revenue for each freight-train mile was $1.63; in 1902 it was $2.44. In partial justification for the great increase of rates it is alleged, and reiterated over and over, that the increase has been made necessary on account of an increase of the cost of labor. But investigation has shown that the principal increase has been in salaries rather than wages. The average increase outside the official force does not exceed five per cent, whereas the salaries of the general officers

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were increased over seventeen per cent, and of other officers over nine per cent.

The official salary rolls are a great tax upon the resources of the roads, and, of course, come out of the pockets of the patrons. A number of salaries reach the $100,000 mark. A man must be well-nigh indispensable to be entitled to twice the salary of the President of the United States. Then there are scores who receive, by their own votes and those of other highly salaried officials, $75,000, $50,000, and $40,000 per annum. Below that, at from $5,000 up to $25,000, is an army of relatives and dependents of the directors.

To form a proper conception of the magnitude of the gains of railroad finance compare them with those of all the big industrial combinations of the country. With less than one-third as much capital as that invested by industrial trusts, the railway trusts now have available for dividends $250,000,000 per annum, while the manufacturing trusts combined have only about the same sum.

In the contemporaneous increase of facilities for transportation by rail and the increase of rates is exhibited in bold relief the vicious power of that monopoly and the unscrupulous exercise of that power. Cars of greater capacity, better tracks, and more powerful engines are simply augmentations of the supply of transportation. The cotton growers of the South realize but little, if any, more money in the aggregate from a large crop than from a small crop. And it is so in many other branches of productive industry. Not so with this monopoly. With enormously increased facilities for supplying the commodity, transportation, in which they deal, they are yet able to enhance the price to the purchasers at will.

About the same date upon which the President was delivering his Denver address, Mr. Morton, Secretary

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of the Navy, addressing the International Railway Congress, and assuming to speak for the President, said: "Railroad freight rates in the United States are low. No other country has any such cheap carriage of goods. There are few complaints of rates in this country because they are too high. Complaints of extortionate rates are the exception, not the rule. . . . It has been my observation that complaints of unreasonable rates to railroad men always receive prompt and satisfactory attention. While in a sense railroad transportation is a natural monopoly, in a broader sense it is all competitive. Market competition prevails everywhere, and is always the controlling force in rate-making." On the same day, before the Interstate Commerce Commission, in session at Chicago, were being made the most startling revelations of extortion by the Southern Pacific and Santa Fé roads, by which the fruit production, both deciduous and citrus, of California had been rendered unprofitable, owing to rates that were almost prohibitory and confiscatory, despite numerous complaints and protests extending over many years.

A principal reason for there not being more numerous complaints that rates are too high is that those really injured by them are purchasers at retail and consumers who do not immediately see the effect. It is a few cents here and a dollar or a few dollars there, the hundredth of a cent in a yard of cloth, a hundred dollars in a threshing machine, etc. The shipper of a farm product usually has little interest in the freight charges upon what he produces. A local merchant or speculator fixes the price he pays, less the rate. A manufacturer, wholesaler, or jobber fixes his price without regard to charges for transportation. In the latter cases the retailer adds the cost of transportation to the price.

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It is true that transportation costs a great deal less than years ago, but that does not prove that it is cheap. The moment the power to fix the price of any article has been allowed to vest in one man, or, what amounts to the same thing, in a few men acting as one, it begins to be dear. The question is not entirely whether the railroad managers have made the service cheap or dear in the past and present, but it is, what will they do when they have more firmly than at present concentrated the management and completed the process of consolidation now rapidly being perfected? Such a tendency never moves backward, but always forward, as it has been moving for twenty years. When one has a perfect monopoly of an article, he places just such money valuation upon it as he sees fit, and usually places upon it a valuation which will in the aggregate yield the greatest profit. A few years ago, President Andrews, of Brown University, said: "When a commodity is turned out under such conditions, cost no longer regulates the price. This is done quite arbitrarily for a time, the seller then being perhaps sobered a little by his memory of old competitive rates. Slowly caprice gives way to law; but it is a new law, that of man's need. Prices go higher and higher, till demand, and hence profit, begins to fall off; and they then play about the line of cost. The producer can be more or less exacting, according to the nature of the product. If it is a luxury, the new law may not greatly elevate the price above the old notch. If it be a necessity, it may bleed people to death." This is just what we see in the railroad world to-day. Transportation being a necessity, as consolidation and combination progresses rates are gradually increased.

In justification for the increase of rates and fares, it has been argued that the companies should be permitted during periods of prosperity to lay aside increased

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profits against a future day when it will be impossible to earn such profits. But of late years the profits in transportation business have been growing more and more stable, and that tendency is likely to become more and more pronounced. The same is true with respect to all combinations of capital, owing not only to the elimination of competition, but to the increase of population and permanency of settlement—that is to say, the difficulties attending removal and gaining a foothold in a new place.

The people submit to many hardships and much pecuniary exploitation when it cannot be directly seen and felt. It is not necessary that the exploitation be inflicted on dark nights, or that a very dense coating of subterfuge be used. A very thin veil of deception has been found ample for the purposes of the railroad oligarchy. The consumer, the buyer at retail, pays the freight, but seldom gives it serious thought. It is among the several small items which go to make up an immense aggregate in the cost of living. There is scarcely an article into the price of which a transportation charge has not entered, sometimes one, but usually several such charges. Take any article of hardware for illustration. It has been shipped by the miner to the mill, from the mill thence to the manufacturer, thence to the jobber, thence to the wholesaler, and thence to the retailer. By the time it reaches the final purchaser it has paid freight five times, all the accumulated charges being paid by him. The same history could be told of almost all articles of everyday consumption, as well as those of permanent use, whether the original form be wood, metal, wool, cotton, silica—whatever the form.

Just think of the saving to the people in the way of cheapened freights and fares and charges for telegraphing under government ownership. Hundreds of

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millions in excess of reasonable charges drawn from every railway station and from the purse of every citizen to the coffers of men already so rich that, no matter how extravagantly they live, they can spend but a fraction of their incomes.

It would be natural to suppose that, since railroad managers insist upon their business being considered private, and hence beyond the pale of Government regulation, an era of liquidation would be reached by which railroad indebtedness would be reduced. But the policy, tendency, and practice is to expand and increase the bonded indebtedness. It has gone on increasing from year to year from the beginning of railroad construction in this country to the present. Now it is easy for the eulogists of the present management to impress a credulous public with a belief that it is for the public good that railroad indebtedness should increase. They say that extensions and improvements are constantly being made which would be impossible out of the current net earnings. If the hundreds of millions now taken annually as dividends on stocks which represent no original investment were devoted to extensions and betterments, not only would these be paid for, but a surplus would remain to be applied to the principal of bonded indebtedness. As it is, the dividends paid are so much money taken out of the earnings and converted to private use, and an equivalent sum is saddled upon the people in the form of an interest-bearing indebtedness. Thus the railroads in 1902, by the jugglery of railway finance, borrowed from Rockefeller, Morgan & Co. at least $241,000,000, and immediately paid the money so borrowed over to them as stockholders in the form of dividends. And the patrons of the roads are to-day paying interest on that money. By that process, railroad indebtedness will increase at the rate of over $2,000,000,000 each decade, and the wealth of the few

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who have become owners of the railroads is increasing correspondingly from this source alone.

But they say that the properties are being improved and rendered more valuable and more efficient. That is true, and knowledge of the fact would give a great deal more pleasure to the people if it were their property. The true aspect of this suggestion from the present ownership should evoke from the people of this country a retort to the following effect: You have acquired this property with money which you have borrowed, and which is now practically a public charge, we paying the interest. Instead of using a portion of net earnings from the use of the properties to reduce the indebtedness, you claim and appropriate to yourselves what remains after paying the interest. Since you own the property, you might at least improve it to the extent of the surplus remaining after paying interest. But you prefer to grasp the surplus as a naked bonus—not a legitimate profit—of ownership. You refuse to devote even the profits of the business to the improvement of your property. We, the people, must foot the bills for these improvements; must borrow the money for that purpose through your agency, practically from you. In short, the people must bear all the burdens and risk of losses of ownership, must stand as sureties against the possibility of loss by you as owners at all times. And yet, when there is a profit, we have not even the poor privilege of having it devoted either to the reduction of the interest charges which you have saddled on us, or to needed extensions and improvements. Therefore, we propose to have a final settlement of the account and a radical change of the system. We at least have the advantage of holding the sovereign ownership, and through that can ascertain the true value of your interest in the property, pay that value, and become owners instead of insurers.

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Taking all the risks and having all the burdens of ownership, footing all the bills of management, without being consulted as to what liabilities shall be incurred or to limit their amount, we will exercise our reserved right to become the real owners.

The people should study more this relation of insurers, into which they are forced by the logic of the situation, and strive to grasp its true significance. Railway magnates and the attorneys and courts holding subservient views declare that the stockholders are entitled to enforce rates high enough to pay operating expenses and a reasonable return or profit on the investment in addition. While it is not true, as just shown, that the present owners have made any original investment, let us assume for the present purpose that they have. Then why say that they are entitled to exact such rates as will give a return upon the investment, regardless of whether the proposed rates be reasonable or unreasonable, or are lightly borne by the patrons, or are burdensome? Does any government guarantee to any merchant, farmer, or any individual, a profit? Does it, in addition to perpetuating a monopoly of business in the hands of any business man, compel those who must, by reason of his monopoly, buy of him to pay any high price he may fix in order that he may realize a profit? And, finally, does it compel the public to borrow money and assume the real burden of repayment in order that an individual may extend his business and improve his plant? To ask these questions is to expose the folly and injustice of the theory upon which the courts now dispose of rate cases brought before them, and to show the necessity of substituting public for private ownership.

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CHAPTER X

EVILS OF, AND ABUSES BY, RAILROADS IN PRIVATE HANDS —LARGELY RESPONSIBLE FOR STOCK SPECULATIONS, PANICS, AND FINANCIAL DISTURBANCES

One among the delusions in the public mind is that which pertains to the uses, movements, and control of the money of the country. With most people, even those often designated as "level-headed business men," the idea prevails that, at any rate, the commercial and financial currents of the country flow back and forth between the centers and the outside unrestrained and unaffected by syndicates and combinations. There are many merchants in the smaller cities or country towns who, hearing a rumor to the contrary, and an intimation that there exists in this country a money power moving as one man, and absolutely dictating the proportion of money that shall abide in Wall Street and the proportion that shall go out among the outside tradesmen and farmers to harvest and move the crops, and happening to mention it to his banker, will be informed that it had its origin in the brain of some agitator and that it has no basis in fact. He will be likely to flatter the vanity of the merchant by informing him that it is the duty of the conservative and hard-headed business men like himself to refute all such utterances by showing the statistics of deposits throughout the country, meaning thereby to convey the idea that the billions there shown are actually on deposit in the banks; also by calling attention to the daily quotations showings loans and the sales of stocks and bonds in New

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York, in open market, to the amount of hundreds of millions of dollars; also to the reserve in the Federal treasury ready for use in meeting any financial crises that may arise. But the fact is that not only the prices of securities, but every movement and investment of money, except in the ordinary mercantile course, is either dictated directly, or indirectly controlled, by a few great corporations, insurance and trust companies, and banks, centered in the Wall Street district of New York City. These institutions are, in their turn, controlled absolutely by a coterie of not more than a dozen very wealthy financiers. The exact relations between these men is, of course, impossible of ascertainment, but the community of interest and the vast financial power of the combination is clearly seen when the directorates of the leading financial institutions and railroads of the country are examined.

The conventional lie, intended to falsely impress the people as to their prosperity and incidentally to mislead them as to the financial condition of the banks, usually takes the form of an assertion that the banks "hold on deposit" such and such a sum. Thus, a leading newspaper on April 30, 1905, said, in an editorial: "The banks of the United States hold deposits to the amount of $10,449,782,094," when a true statement would have been: "The liabilities of the banks of the United States to depositors aggregate," etc., "a very small percentage of which they would be able to pay if called upon." Another thing which is never given publicity is the fact that these deposits are largely those of great corporations, such as railroads, trusts, insurance companies, stockbrokers, syndicates, industrial trusts, and of other banks depositing in New York; and that in case of a financial panic these would be the first to withdraw their deposits, leaving any assets that were left to be distributed among individual de-

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positors at the fag end of a long liquidation. The constant reiteration of the deceptive statement about bank deposits has excited the cupidity of adventurers everywhere, and hundreds of mushroom State and private banks are being started in the cities and towns. Each will have for depositors a certain number of the ever-credulous poor and a few who are well to do, and receive a considerable sum total, to be used, in many instances, in stock and land speculations. By and by a financial squeeze will come, these concerns will be shaken down by the first wave, and the money now represented as being "held on deposit" will be found to consist of stock certificates and deeds to real estate of greatly diminished and rapidly diminishing value.

Since the Wall Street situation affects the financial condition and commercial relations of the whole country, and since that situation is one brought about in great part by reckless railroad financiering and the enormous expansion of railroad indebtedness, it is proposed to examine briefly the whole country's condition as thus affected.

The perpetual congestion of money and concrete values in Wall Street constitutes a more serious situation than the mere power which goes with it to increase individual and corporate wealth. The enormously extended credit given upon railroad stocks and bonds as collateral by banks and by insurance and trust companies tends naturally to panicky conditions. Any important fiscal legislation seriously attempted at Washington, even important administrative operations, sometimes give rise to grave fears as to the effect they may have upon the general business of the country as it may be influenced through the Wall Street stock market. For instance, the proposition to make a considerable reduction in rates of transportation across the Isthmus of Panama, after the transfer of the Isthmian

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Railroad to the Federal Government, gave rise to the most alarming prophecies in the railroad press of the country as to the disturbing effect it would have upon the finances of the transcontinental railroads in competition with it. One of these stated the situation, and gave vent to the fears of those for whom it stood sponsor, as follows: "There are at present outstanding some ten or twelve thousand millions of dollars of stocks and bonds representing railroad indebtedness in the United States. Probably one-third of this vast sum is actually invested, and to the other two-thirds values are attached by reason of the ability of the managers to make enough on transportation charges to pay interest and dividends. The values of these stocks and bonds are dependent upon a reasonable degree of stability in existing charges, however unjust and however extortionate. To suddenly put rates on the Panama Railroad at such figures as will entirely and at once disrupt the transcontinental freight pool will deprive the railroads of their ability to hold railroad securities at their present values. So seriously may this impair their finances that every dollar of the vast sums just named may be decreased to such an extent as to bring on a serious financial panic. Not all railroads are interested in the transcontinental freight pool, but the interests of all are so interlocked that none could escape serious disaster were those directly so interested severely crippled financially."

So it is seen that the concentration of the country's railroad business and finances in the hands of the Standard syndicate makes a card house out of the nation's business. This is a dangerous state of affairs. If the Government owned the roads there would be no railroad securities except such as the United States stood back of, and it would not be in the power of any set of financiers to create anything more than a slight and temporary depression or advance in the values of United

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States issues. There may have been serious fluctuations in their market prices in times of war, but these alone have never been sufficient to disturb business.

Thomas W. Lawson has written much on the same subject; and while his motives have been questioned, and his methods severely criticised, the author will not be deterred from quoting him as far as his logic is sound and his figures correct; nor will we quote entirely to approve, but to criticise somewhat. In a signed article in the press, January 20, 1905, he said: "Before the advent of the 'system,' in the year 1880, the total wealth of the country was $40,000,000,000. To-day it is $100,000,000,000. The total amount of stocks and bonds in the New York Stock Exchange in 1880 was $3,000,000,000. To-day it is $20,000,000,000. In 1880 the amount of money of the people was $1,500,000,000. To-day it is but $2,500,000,000. In 1880 the amount of deposits in the national and savings banks, trusts, and insurance companies, belonging to the people, was $3,000,000,000. To-day it is $11,000,000,000. I have taken these figures from the ordinary sources, Treasury and stock exchange reports and statistical works. Most of them you can find for yourselves in the 'World Almanac.'"

This was the text for a statement of a situation which has become absolutely alarming; nor was it an overstatement either. In fact, Mr. Lawson scarcely goes far enough or deep enough. He is entitled to credit for reluctance to unnecessarily disturb business. His plan for a readjustment is rather more conservative and tedious than the situation would seem to require. Since his January article was published, new railroad securities to the amount of $550,000,000, and an equal amount of "industrials," were issued up to the first of May—say a round billion; this would make $21,000,000,000.

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In giving the volume of the circulating medium he omits to state that an average of $456,000,000 consists of national banknotes, which at best are mere substitute or credit-money sure to disappear in the first stages of a financial squeeze, when the medium is most needed. That leaves only $2,000,000,000 available if a crisis should come which called for a liquidation of accounts.

Mr. Lawson is too intelligent and well-informed, financially and otherwise, not to understand the underlying principles of monetary science. He places property values of the nation at $100,000,000,000. Whence come these figures? Even if possible to trace such estimates, they would be mere guesswork. While dollars are not measures of the value of all property, yet they are the measures of value of all that must be sold. Therefore the valuation of a nation's wealth is a relative term. The nation's wealth was estimated, as he says, in 1880, at $40,000,000,000. What was it worth in 1894? It was evidently worth much less, according to any available standard of calculation, than ten years previously. Taking his figures, which certainly make a bad enough showing without adding the subsequent increase, or deducting $346,000,000 of treasury notes or $456,000,000 banknotes—which are, upon a final test, mere forms of credit like stocks and bonds—we find that all the money in the country has been deposited more than four times, and that the banks are indebted to the people four times the amount of all the money in the country and a billion dollars besides; and that, in addition to this indebtedness, they must redeem on demand $456,000,000—their own issues. Now, we know that of the deposits in central-reserve national banks twenty-five per cent is required by law to be kept in their vaults, that certain percentages must be kept in other national banks, and that, under the banking laws of the various States, a large sum is required

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to be kept in the vaults of these banks, that $150,000,000 constitutes a reserve fund in the United States Treasury. We know that about $200,000,000 of cash is constantly tied up by insurance companies, and that an amount that cannot be ascertained, but running into the millions, is kept in safe-deposit boxes and in the vaults of trust companies. Then the amount of the practically circulating medium must be less by several hundred millions than the theoretical sum of $2,500,000,000 given by Mr. Lawson.

The loans of the associated banks were, in February, 1905, more than twice as large as they ever were in the same month prior to 1898. It took twelve years prior to 1897 for the loan account to increase $240,000,000; whereas in the eight years since that date loans have expanded $640,000,000. During the same eight years the loans by the New York trust companies had increased $658,000,000. Thus we have an expansion of bank credits of $1,298,000,000 in eight years, as against an increase of less than one-fifth that amount in the preceding twenty years. That this is not a world-wide movement but arises from conditions and manipulations peculiar to the United States is seen by a comparison with other countries. The Bank of France now has outstanding only $21,000,000 more loans than in 1897, the Bank of Germany only $18,000,000 more, while the loan account of the Bank of England is $9,500,000 lower now than then. These figures are not from Lawson but from the New York *Evening Post*, an accepted authority in financial circles.

The railroad mileage has increased since 1880 from 115,647 to 200,000 miles in 1904, or 85,000 miles, the cost and equipment of which was, allowing $30,000 per mile, just $2,500,000,000. This would add $2,500,000,000 to railroad wealth. It would be difficult to obtain the total capitalization in stocks and bonds in

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1880, but it was near $6,000,000,000; so that, while only $2,500,000,000 of value has been added in twenty-five years, this has been made the basis of a railroad credit expansion of $6,000,000,000, issues of railroad stocks and bonds now being about $12,000,000,000. Now the banks have been the real underwriters behind most of the new flotations of railroad stocks and bonds, which, as here shown, have no adequate property security behind them. It is true that the underwriter does not become the actual investor where a flotation succeeds, but in some cases, especially in the case of stocks, the underwriting syndicate finds itself forced to "make good"—that is, to take the stocks from the corporation or promoters at the underwritten price. And in most cases the underwriting banks must stand ready, in order to sustain the stocks in the market at a price which will prevent loss to themselves, to lend money on the stock up to a few points under the current market price. Now the latter-day financier will tell you that is safe and conservative banking, and will call attention to the instances in which it has been done with profit by banks and other moneyed institutions, with no calamitous consequences. But the custodians of the people's money should be able to point to business methods and practices which will protect their deposits not only while the sun of prosperity shines, but in the hours of storm and stress. Though a given banker now feels that a loan of $9,000 on 100 shares of stock, fluctuating around par in the market, is perfectly secure, it is evident that, if such a panic should seize the financial center as has seized it more than once in recent history, it would be scarcely any security at all. For what does the ordinary value of the security matter when the pledgeor has no money, and those who do have it are clinging to it as the sole anchor of financial salvation? Especially would results be disastrous in all the numerous cases of loans

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on the much-watered stocks of recent issue, such, for instance, as those of the Southern Pacific and Union Pacific railroads.

It will scarcely console the depositor in the dark hour of panic, when his New York bank has failed, or by reason of the failure of a New York bank his home bank closes its doors, to tell him, "Yes, but your money was safely invested up to this time, notwithstanding that you may never get your hands on it again." Nor will it be any satisfaction to him at such time to be reminded that Mr. Rockefeller, Mr. Gould, Mr. Harriman, Mr. Stillman, and Mr. Morgan had expressed their individual opinions that prosperity had come to stay. It is a lesson that all should learn,—better before, than after the crash that must inevitably come—that most of that prosperity which is spelled out in large figures, representing bank clearances, is mere manipulation with bank entries; that it does not represent in any large part commercial transactions, but transactions in Wall Street, a very small percentage of which are *bona fide*, being mostly fake sales made to consummate a few genuine sales from the underwriters to the public; that most of our prosperity consists of expansions and contractions of bank credits; that the present pace cannot continue indefinitely. The awful crop of real estate and man-mortgages that has been sown during the past eight years will mature, and then the holders on the inside will say, "The game has now been played to the limit, and liquidation is in order. We must look beyond corporate forms and individual reputations to realities." When that day comes, as it soon must, the people will wake up to the truth that when a corporation has property worth just $1,000,000, with bonds outstanding of the face value of $1,000,000, then, no matter how much capital stock it has issued, whether preferred or common or both, and no matter the price

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up to which it has been worked, the whole issue is absolutely of no value in the process of liquidation. They will learn, also, that no matter how much the figures representing bank deposits show, only so much real money is actually held on deposit in the banks as is not in circulation and held as a reserve in the United States Treasury; and that, no matter how imposing and impressive the figures setting forth a bank's resources, they are no real concern of the depositor unless and until the test of the ability of the bank to refund deposits is applied.

All these dangerous expansions of bank credit are based upon corporate stocks, most of them issued by railroad companies, since loans are reluctantly made on industrials. No greater reform could be introduced than one which would eliminate all corporate stocks from our bank finances. Government ownership would exchange Government securities of certain permanent and uniform value, which would be no source of panic and which no panic would affect, for those of uncertain and speculative, or of merely nominal value.

A panic does not descend like a cloud of vapor; nor is it prearranged, until those who have got possession of the man-mortgages and the bank reserves are ready for it. Then it evolves itself. Jones the merchant finds to his surprise that his credit, previously good at the bank for a loan, is no longer good, and that he is unable to pay his bill to the wholesaler, who, in his turn, cannot extend Jones's time for very much the same reason. The demands and withdrawals of accommodation at the banks are because of real, and not simulated, pressure upon them. But the bank officers are unable to explain it. It is attributed to a "want of confidence" which is real where it first originates; and it originates with those who have become deeply concerned at the extent to which bank credits and corporate

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and individual liabilities have expanded. Widespread panics and trade depressions do not succeed periods of normal business expansion or of moderate prosperity. They succeed high tides of prosperity, just as a low-water tide necessarily follows high tide.

To realize what will happen—what is now beginning to happen—when the banks can no longer carry their loads of paper, the function of money as a measure of all values pressed for sale should be considered. The reserve national banks in New York are required by law to hold twenty-five per cent of deposits as a reserve, but they never hesitate to violate this law when it suits their purpose and convenience. National banks in certain other cities must maintain a reserve of only twelve and a half per cent of deposits, and still other national banks of only half the latter percentage. The discrimination in favor of the outside banks, or against the New York banks, if the latter term be preferred, in requirements as to a reserve, is upon the theory, which is the actual course of business, that deposits in other national banks will very largely be redeposited in the New York banks. But that course is not only pursued by interior national banks, but by most of the interior State and private banks. The State and private bankers often have no absolutely burglar and fireproof receptacles, and therefore keep a very meager percentage of deposits on hand. It thus results that the liabilities of the great national banks of New York are at all times in a situation of peculiar danger upon the approach of a money squeeze, whether it occurs in New York or in any other part of the country. Not only so, but when any money stringency in any part of the country causes trouble for the New York banks, that trouble at once communicates itself to all parts of the country, because the slightest danger will be scented by the trust, insurance, and other big depositors in the

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New York banks, and they will withdraw in a rush before the individual depositors hear of any trouble whatever. The moment the New York bank reserves are trenched upon they must be replenished by calling loans. Then stock securities are thrown on the market, representing enormous sums, collaterals shrink to but little value, and if the banks are able to save themselves from utter bankruptcy at all, it is by a further and more flagrant inflation of bank credit in the form of an immense issue of clearing-house certificates. But that device when last resorted to (in 1893) raised such a storm of protest, and was so clearly a confession of insolvency and violation of the Bank act, that if resorted to again it might intensify the panic, and be the shortest step that could be taken to universal ruin.

Mr. Albert Griffin, an able financial writer, in an article published in *Tom Watson's Magazine* for June, 1905, said: "Between 1896 and 1904, as officially reported, the increase in the volume of visible money was, in millions, $1,322,000,000, or $9.75 per capita; but the quantity of hocus-pocus money in use increased $5,275,000,000—$43.42 per capita; the quantity of both kinds then actually in use being $107.63 per capita. This shows that four-fifths of the increase in the medium of exchange consists merely of the right given favored people to draw checks on banks, to pay which no real money has been deposited." This writer clearly corroborates Lawson as to the use made of the money by the people of the United States, whether in New York banks or in outside banks. The figures he produces show that it goes into great speculative underwriting schemes and the maelstrom of Wall Street speculation generally, and the depositors take all the risk of loss without any corresponding chance of profit. Further on, Mr. Griffin truly says: "Less than one-tenth of the 'deposits' in the banks are real money,

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the others being mere promises of the banks to pay money to those who have bought (with notes) the right to draw checks against them—and it is simply impossible to so regulate the system as to prevent it from frequently working disastrously. The use of hocus-pocus money and its evil results have increased steadily from the beginning of the deposit banking system. From time to time methods change, but every change increases the power and profits of the few and the helplessness of the many. The gravest of these changes began to be felt about a decade ago. Leading bankers had always used some of their hocus-pocus money for the promotion of their own schemes, but from that time the Rockefellers, Morgans, and others have been systematically getting control of the principal deposit banking institutions, and using not only a rapidly increasing proportion of their depositors' real money but also more of the hocus-pocus money made possible by those deposits."

Speculation in stocks dates from, and has kept pace in magnitude with, the watering of capitalization and inflation of bonded indebtedness. There can, of course, be no great profits without wide and rapid fluctuations; and the nearer the capitalization to the actual value, the less the variation in price from day to day; and the ability to enhance and depress the quotations from the inside diminishes as the total volume of stocks in the market approaches the actual value of the property represented by it. To furnish this power has been one motive for loading all the railroads in the country with enormously exaggerated bonded indebtedness and watering the stocks to the utmost limit of human credulity. Another, and the original, incentive was the concealment of extortion in fares and freights already discussed. To illustrate all the vast high-handed schemes of Government looting and stockjobbing, in proof of

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the foregoing statements, would not be practicable. A lifetime might be devoted to a full development of the facts, and by the time that was accomplished a thousand new instances would have accumulated.

There are what are known as New York Stock and Bond Exchange brokers, and there are brokers who deal only in the Consolidated Exchange. Some of the latter are classed as keepers of "bucket shops." Probably nine-tenths of what is considered legitimate business is transacted on the Stock and Bond Exchange. We may without impropriety designate the Stock and Bond Exchange broker as regular and all others as irregular. Then there are brokers who deal exclusively in investment securities, and who, though most of them are regular, yet are almost indifferent as to the market conditions, whether active or inactive, whether prices be high or low. Three-fourths of the regulars are mere room-traders and manipulators who work the Exchange as a speculative machine, very much as any other gambling device is worked. Of the typical room-trader or manipulator, it may be truthfully said that, no matter what the measure of his success expressed in dollars, his success is attained without adding anything to the welfare of mankind; nor have the efforts of himself and all his kind ever made an extra blade of grass to grow, or accomplished any result which might not have been omitted without loss to humanity at large. From a Wall Street standpoint they are usually honest; that is, when they sell they deliver the securities, and when they buy they make payment; but beyond that they do not concern themselves in the slightest whether those with whom they deal get a dollar's worth or a cent's worth for the money poured into the cauldron of speculation by the deluded outside, whether it amounts to hundreds, thousands, or millions.

The conspiracies, corners, deceptions formed and

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resorted to by insiders of each of the great railroad and industrial companies to rob the credulous public is a history in itself. They have never hesitated, when it suited their purpose, to undermine the financial standing and make wrecks of prosperous enterprises, or to throw into the hands of receivers, without consulting their stockholders at large, properties which the most ordinary care and prudence could have made earn interest and dividends. An instance in point was the great Reading system, which, early in 1893, though in defiance of law, had obtained control of the coaling business of the entire country. Its stock had mounted skyward, when, one fine day in January, the papers announced that by a midnight order a judge on the bench, the president—who had brought about the financial pinch justifying the receivership, and the largest stockholder in a hostile corporation—had been appointed receiver over it. In one year the stock fell from 65 to 15, and millions were made by the small circle who were let into the secret in time to sell short of the stock. Many still remember with what glowing colors the president of the Santa Fé system pictured his trip to London, for an adjustment of certain financial difficulties, in 1894. The New York financial agents of the road confirmed his version, and a long era of prosperity for it were frequently and confidentially predicted. The stock boomed for several days; large blocks of it were secretly unloaded upon the confiding public at an advance of several points caused by these reports. The facts were that his mission had been a complete failure, and he had not shaken the dust of travel from his clothes before hying to the law department of the road and having prepared all the papers for a receivership. And while the newspapers containing exaggerated accounts of present, and glowing predictions of future prosperity for the Atchison, Topeka & Santa Fé sys-

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tem were being sold on the streets, orders were being signed in judge's chambers for the liquidation of the company, made necessary by its inability to pay its floating indebtedness. Fortunes were made out of what was looked upon by the public as a great misfortune and what was ruinous to thousands of investors and speculators. These fortunes were coined from falsehood, fraud, and criminal conspiracy. The above is but a repetition, with slight variation, of scores of others in the railroad history of the nation.

But it must not be supposed that secretly wrecking the road is the only scheme of inside jugglery. Dividends are increased without any fact to warrant it and often when financial conditions demand a reduction or suspension of dividends. Money has sometimes been borrowed to pay increased dividends, and the floating debt thereby created used by the inside managers as a weapon to force the institution into insolvency. The declaration of an increased dividend naturally causes a rise in the price of the stock, advantage of which is taken by buying long of it before the rise, and after the rise to sell short. Most of the combinations and pools that lie in wait for the uninitiated investor are concealed from him until he is caught in the trap.

One attaching himself permanently to the stock market usually becomes a Wall Street fixture, and ceases to be an American citizen in spirit and purpose, because he thereby abjures all the duties of citizenship and becomes a stranger to those softening impulses and influences which fit a man to be a neighbor to his fellowman. He at once realizes that in order to successfully play at the game of finance his conscience must become so thickly incrusted with selfishness that no scene of human suffering will stir his sensibilities, nor any compunctions induce him to award restitution of anything won at the game, whether played fairly or unfairly.

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He produces nothing but margins of profit or loss. To him all outside Wall Street is merely an appendage. Its only use is as a reservoir from which to draw suckers with plethoric bank accounts. For his purpose, and as a background for life's real actors, the financiers, he tolerates it, but does not love it, nor even admit that it has any rights which he is bound to respect. As for the railroads—the tangible things—the places they reach, the people they serve, and how, and upon what terms, the average Wall Street operator knows little or nothing, nor does he care. He leaves the acquisition and use of such knowledge to the greater financiers whom he in part serves. But he strives to be at home on the railroad balance sheets and dividend prospects.

Too often, the broker's code of morality is reflected in his account and bankbook. So long as he plays, according to the rules of the game, on the right side of the criminal danger line, he considers that he has performed his whole duty to God and man. If he conceives the possibility of such places as heaven and hell, his conception of the one is that of a place where vast stores of individual wealth have accumulated, and he likens the other to an insolvency court. The stranger visiting Wall Street, whatever his purpose, needs no credentials for doing business except a bank account, without which letters of introduction and evidences of fair repute are of no more use than they would be among the sharks and cuttlefish at the bottom of the ocean.

The atmosphere and pace of the Stock Exchange is that of a flying express train which has lost time that must be made up before reaching its destination. This is very proper, since the profits which the train earns for its company contribute to the vast sum of net earnings for which the denizens of Wall Street

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struggle during waking hours and about which they dream the rest of the time. The crowds of outside investors, the grand armies of the public, which daily file their ways into Wall Street, are urged through various agencies to buy when they ought to sell, and to sell when they ought to buy, and at all seasons to come into the market when they ought to stay out, which is about three hundred and sixty-five days in the year.

Wall Street has no mills, mines, farms, or factories. It produces nothing of value to any mortal. As for supplying legitimate demand, the Exchange is superfluous, except as a place for offering securities for sale to the highest bidder. A dozen brokerage firms, acting as intermediaries between buyers and sellers, could do all the legitimate investment business of the country necessary to be done in New York. The balance is but a vast scheme of speculation, most of it gambling, pure and simple, with losses to the outside public as inevitable as if they risked their money at the race track upon tips from insiders whose money they were trying to win.

If one digs or owns a canal of a given width and fifteen feet deep, and turns the natural flow of a stream into it which only fills it five feet from the bottom, there is not much variation in the depth of the water in the absence of freshets; and when there are heavy rains, the public are enabled to calculate their effect upon the depth of water with as much certainty as the owner. But suppose the owner owns a concealed reservoir with an opening into the ditch, the whereabouts of which is a profound secret to all except himself, so that, without warning, he can instantly turn on a vast volume of water and cause an immediate rise in the canal of several feet. Suppose he also owns a secret drain which he can open instantly, without fear of detection or discovery, and reduce the depth at pleasure. Now, if he

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can induce the public to engage with his agents—their secret relation to him being unknown—in gambling on the rise and fall of the water, he will, with but little effort and in a short time, be in possession of all the surplus cash of all the outside gamblers. The ditch owner is the railroad company, the reservoir and secret drain, and the unidentified agent are the directorate, the inside management, and stock-board manipulator, respectively; the gamblers are such of the general public as engage in stock speculation. To complete the analogy, we might add the false weather prognosticator and the retailer of false reports, both in the pay of the ditch owner, and respectively standing for the financial circular and the daily Wall Street organ. The surplus depth of ten feet, when five feet is only needed, may well stand for overcapitalization. Again, the natural and ordinary stage of water will represent the usual volume of traffic, the freshets prosperous business, simulated or legitimate, while irruptions from the secret reservoir may stand for abnormal prosperity and big dividends, based on exorbitant rates made possible by the possession of a monopoly in a large and populous territory.

Hundreds of such schemes are in operation every business day in Wall Street alongside of other institutions, some auxiliary to stock gambling, some legitimate. Nine-tenths of these vast schemers for fleecing the public are the financial heads of the railroad corporations of the country. Is it any wonder that honest, conservative railroad construction and operation is a thing of the past, and that the corpus of railroad property is a mere adjunct to the more profitable stock-jobbing end of the business?

Having thus shown the true character of stock speculation, and how the business is conducted by the inside, and the power it gives the insiders over the

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finances and speculative element, we may well inquire as to the relation which this centralized influence bears to the Government, and especially the lawmaking branch. The stocks dealt in being mere concretes, often of little intrinsic value, their market value depending largely upon the power of those holding the controlling interest to impose and collect charges for the future, the financial condition of the country, the amount of money available for speculative use, is the most important factor in fixing prices on the stock board. Whatever causes money to eagerly seek investment causes stocks to rise, whether they be dividend-paying stocks or those of insolvent companies; whatever withdraws money from active circulation, whether it be carried out of the country or hoarded by banks or persons, depresses prices. Money is a creation of law, and every change or threatened change, every element of uncertainty concerning the financial policy of the Government, unsettles prices. Not only so, but panics may result from fear, as was the case in 1893.

The stock market is likewise, but in a less degree, affected by proposed laws affecting the public revenues, and threatened legislation affecting corporations. It is therefore worth a fortune for any man to know how or to what effect Congress will act upon such measures pending before it, provided he knows at the same time the inside secrets of any corporation whose stock is active on the board. So there is the strongest of human incentives for the corporate and the congressional insider to exchange knowledge of facts, and to act in concert.

And let us suppose they have "pooled their interests." Would it not be too much to expect of the senatorial member of the combination to ruin himself by voting against his financial interest? Few congressmen or senators would humiliate themselves by deliberately accepting a bribe in gold coin. But the subornation

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and corruption comes to them in the guise of an "opportunity." Polonius's exhortation to his son, "Put money in thy purse," has come thundering down the ages with a curse upon it. It has become a rule of action in many circles of society, and in obedience to its command men have stifled patriotism, honor, virtue, and even religion. Laws which have enabled individuals in the short span of a lifetime to seize hundreds of millions have done more to debase true manhood and womanhood, to pollute the hearts of the people and endanger the life of the Republic, than all the carnal vices and passions. Much of the congressional legislation for three decades has been a series of public bounties to individuals and aggregations of individuals.

Senators and representatives are the sole judges of the kind of business in which they shall engage; nor can it be said to necessarily involve moral obliquity for a senator or representative to engage in stock speculation during sessions of Congress. It certainly is not a violation of any statute law. The right was openly claimed and exercised by Senator Matthew Quay, of Pennsylvania. It has been exercised, but not claimed, by many others. During the distressing paralysis of every description of business in 1893, during public agony, commercial and industrial as well as financial, the senators, instead of taking action, were deadlocked, but not tongue-tied. During all this time certain senators—as well those opposed as those favoring the Silver Repeal bill—when not killing time in the Senate, were in Wall Street, consoling themselves for their country's loss by their own individual gains; swapping the knowledge gained officially for such tips and points as the managers of powerful corporations and their brokers could give. The "senatorial party" and its attitude in the stock market was then, and for many years has constantly been, a fixed institution. The

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course of many operators and the destiny of much capital are determined by the side of the market taken by this "senatorial party." In the spring of 1894 an investigation was made by a Senate committee upon accusations made in a New York paper to the effect that the dilly-dallying of the Senate over the Wilson Tariff bill had a direct and essential relation to the market for certificates of the Sugar Trust on the New York Stock Board. The bill, as it came from the House, affected the earnings of that enterprising monopoly detrimentally, and the amendments adopted in the Senate made a difference in its favor of $60,000,000 annually. The evidence satisfied the country, if it did not the Senate, that a profitable arrangement had been entered into, and preserved during the entire session, between a controlling coterie of members and the managers of the Sugar Trust. Strange and sorrowful to relate, there was no outburst of indignation from the people. The protests and excoriations were mild in comparison with those which resounded from one end of the land to the other when the Credit Mobilier scandal was exposed. Nor did the exposure of the Sugar Trust scandal result in the defeat of the Senate amendments; nor was Senator Quay, who confessed his undoing, expelled or even censured.

An important consequence of government ownership would be the displacement of this enormous volume of inflated stock and the substitution of bonds of the Government bearing a low rate of interest. Investors would take the place of speculators; fraudulent railroad management for dishonest speculative purposes would give way to conservative economical administration; government employees, selected for their qualifications, would supersede others, selected, not for their knowledge of the railroad business but for their skill in rigging the market and carrying through stockjobbing schemes.

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Better than all, the greatest obstacle to speedy legislation of the proper kind by Congress, and greatest menace to the Republic, would be removed.

Just before his death, Senator M. A. Hanna, who had jumped the game of high finance and gotten into the game of politics, in an address before the Union League Club, at Cleveland, Ohio, said: "Everything that Wall Street could do to foment trouble it has been guilty of doing. Millions upon millions of securities have been issued, and the great middle class has been pumped dry. The buying power of the workers has been reduced greatly, and we have offered every inducement to the laboring man, by our attitude, to revolt."

It is by these methods, by these instrumentalities and brokers, that the railroad securities of the country are marketed. And a vast majority of those who own them are represented by learned opponents of government ownership as interests that are to be considered sacred. It is through this huge device—in this mart, if you please—that railroad kings and other insiders market their inflated issues of corporate stocks and bonds, and then point to the conditions, created by their own inflations and manipulations with the public, as a warning against any legislation calculated to disturb "the finances" of the nation.

A seat in the regular Exchange now sells for $80,000, and a seat only ostensibly includes the privilege of meeting there the other regular brokers, and buying and selling securities on commission. There are outstanding eleven hundred "seats," but really there are no seats on the floor of the Exchange. Here is an investment of $88,000,000. Office rents and clerical help, advertising, etc., must cost at least $100,000,000 more. Annual interest on the cost of seats, at four per cent, amounts to over $3,500,000. These vast sums must be paid out of brokers' commissions before there is a cent

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of profit for the outsiders. This showing assumes that dealings are conducted squarely, as would be the case if the outsider risked his money at Monte Carlo. But they are not. A few insiders, working the market up and down, reap large crops of eagles and greenbacks each year where they have sown nothing but snares. They prepare the daily programmes, mark and stack the cards. The brokers manage the game. Outside "investors" do the rest. Occasionally an outsider, more courageous than the rest, stands against the current of rumor and falsehood, and comes out a winner; but unless he pulls out and quits as soon as he finds himself "to the good," his case will be made a specialty, and the whole power of the inside will be used to swamp him the moment he dares to make a large investment upon margin account.

This device of doing business on margin is very clever and seductive. It enables one to do what appears to be a large business with but little cash. But, like many other seductive things, it is fateful. Of course there are a few who come to Wall Street to invest their earnings or profits in gilt-edge bonds or stocks. For these they will pay such full value that they are fortunate if they realize four per cent per annum on the investment. But ninety-nine out of a hundred come there to exchange their good currency or gold for stock certificates, for which they have no use whatever, in the hope that the price will advance, or to sell shares, which they do not own and do not want, with the hope that they may soon buy them and square the account, with the cash balance on the right side.

There are two great classes of stocks—railroads and industrials. In dishonest manipulation and as a means for flim-flamming and circumlocuting the "street" out of their dollars, promoters and inside dealers, in the respective classes, have just about equally divided the

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dishonors and gains. But it is elsewhere shown that railroad management is largely responsible for the industrial trusts which issued the industrial stocks.

When the people get rid of the present corrupt railroad management by taking the railroads, they will also get rid of the germs of the Wall Street plague, in both its industrial and railway phases. So much space could not be here properly devoted to the stock speculative game in Wall Street had it not a larger significance. The outside devotees of the game there played are few in number in comparison with our entire population, and in point of property interests the proportions are about the same. Those who go there and "buck" against the game are entitled to but little sympathy or consideration in so far as they are personally concerned. But the conditions created by the presence and operations of the institution are matters of general concern. When a circus and menagerie visits an unfrequented rural district it is apt to leave in its wake a scarcity of change, which will be felt for some time afterwards. In this way its coming and going is a matter of deep concern to every business man in that neighborhood, though some of them may never dream of going under the sheltering folds of the magnificent tent. In Wall Street we have a circus running all the year round, every day except Sundays and holidays. It affects the circulating medium of the country in every way except healthfully.

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CHAPTER XI

EVILS OF, AND ABUSES BY, RAILROADS IN PRIVATE HANDS —DISCRIMINATIONS BY WHICH INDIVIDUALS ARE RUINED AND INDUSTRIAL MONOPOLIES CREATED AND MAINTAINED

THERE has not been an official investigation of railroad evils and abuses in nearly twenty years. If, during that period, those whose duty it was to investigate and act had the time, they appear to have lacked the will; but no proof is needed that conditions have grown worse, instead of improving, since 1886. The Interstate Commerce Commissioners give, from time to time, conclusive evidence to that effect.

We cannot make a better beginning than by inserting the presentation of the evils and abuses of railroads, under their present ownership and management, contained in the report of the Senate Committee on Interstate Commerce, submitted by Senator Cullom in 1886:

"1. That local rates are unreasonably high, as compared with through rates.

"2. That local and through rates are unreasonably high at non-competing points, either from the absence of competition or in consequence of pooling agreements that restrict its operation.

"3. That rates are established without apparent regard to the actual cost of the service performed, and are based largely on 'what the traffic will bear.'

"4. That unjustifiable discriminations are constantly made between individuals in the rates charged for like service under similar circumstances.

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"5. That improper discriminations are constantly made between articles of freight and branches of business of a like character, and between different quantities of the same class of freight.

"6. That unreasonable discriminations are made between localities similarly situated.

"7. That the effect of the prevailing policy of railroad management is, by an elaborate system of secret special rates, rebates, drawbacks, and concessions, to foster monopoly, to enrich favored shippers, and to prevent free competition in many lines of trade in which the item of transportation is an important factor.

"8. That such favoritism and secrecy introduce an element of uncertainty into legitimate business that greatly retards the development of our industries and commerce.

"9. That the secret cutting of rates and the sudden fluctuations that constantly take place are demoralizing to all business except that of purely speculative character, and frequently occasion great injustice and heavy losses."

There were altogether eighteen numbered paragraphs of the long indictment, but only the first nine related to discriminations. Since railroad charges, as has been frequently shown, are taxation, they should be governed by the fundamental principle of taxation; that is, they should bear equally upon all in proportion to the service. This rule underlies the taxing power of the general and all State governments. It needs no argument to show that unequal taxation, or taxation out of proportion to the benefits received from governmental protection, is unjust taxation. This principle has found recognition and expression in all modern constitutions. Arbitrary inequalities of burdens exacted from the colonists by Great Britain, to whom representation was denied, was the chief grievance which led to

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the Revolution. Now railroad companies have had conferred upon them valuable franchises of a public nature, namely, the power to collect fares and freights; that is, the power to tax. These franchises are attributes of sovereignty, and their exercise is the exercise of governmental authority over every individual affected. Therefore, the persons who must patronize railroads—practically all the people—have the right to insist that there shall not only be none other than reasonable charges for transportation, but that there shall be no discriminations. The violations of this just rule have not been few, accidental, or temporary. The practice has been general, persistent, and unlimited. Whenever a railroad, by reason of its location, had a monopoly within a given territory, the capacity of persons to pay the fares and travel, and of the products to pay the freights and bear the transportation without loss to the producers or dealers, has been made the basis for fixing rates; and when there was competition, in the absence of a pooling arrangement, transportation has frequently been furnished at less than cost of service. In all such cases, the dividends on the stock and interest on the bonds have been exacted from one class, while the use of the capital has been loaned to another class without interest or charge; and, in the case of transportation at less than cost, the services of the employees have been partially added, and collected from the patrons of the roads discriminated against. It should be remarked that the evils of discrimination have been to some extent alleviated by the Interstate Commerce act; but no one observant and competent to judge of the drift and result of litigation involving the provisions of the law will fail to see that, where its prohibitions have not been openly defied, shrewd and unscrupulous men, assisted by able and influential counsel and unlimited wealth, have found it an easy task to obey its letter and violate its

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spirit. But the favorite and usual course has been to flagrantly violate it, and then to escape punishment by concealing the proofs of guilt. Time and again has the humiliating spectacle been presented of railroad officials confessing guilt by refusing to testify, on the ground that by doing so they would criminate themselves.

Throughout the entire business community, from ocean to ocean, and from the Canadian border to the Gulf, is found the dread of railroad discrimination, and fear of ruin as a result. Cowardice and timidity have silenced the tongues of business men of every degree and in every line of trade, while self-interest and guilt have closed the mouths of those responsible for discrimination and rebates. The situation is one of terror and foreboding not only in the great body of business men proper, but among trades and professions more or less dependent upon business transactions, such as lawyers, editors, and teachers.

The origin of discriminations against localities was an attempt of railroads having common points with other roads to overreach them and deprive them of a just share of the business at reduced rates. Various excuses were given for this, the most plausible being that the fixed charges being the same, whether their cars were loaded or empty, they could better afford to do the business at a small profit, or even no profit at all, than to lose it entirely. The unsoundness of this plea is seen at once when it is considered that these fixed charges—interest, dividends, wages, and repairs—must be paid at all events; and if not paid from profit on through business, they must be paid by increased charges on business from local or intermediate points. This attenuated plea has often been invoked as an excuse for the doing of competitive business at a loss. Suppose the same practice were attempted by a man engaged in another line of business where competition is always

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present; where there is no class or locality upon which the dealer or mill owner could lay tribute to the extent of the uttermost farthing the consumer is able to pay; where extortion cannot be practiced, just short of the prohibitory point, as in the case of railroad corporations —what would be the result? Let us suppose, for instance, that a merchant in any city or town, having a fixed expense for rent, clerk hire, interest, and family support, should begin to sell below cost to certain individuals, with a view to drawing their trade away from his rivals; would not all his other patrons understand at once that they must pay enough in increased profits to make up the deficiency? Either that, or he must soon become bankrupt and go out of business. It is useless to further elaborate the truth of the proposition that these discriminations are unjust and, since the enactment of the Interstate Commerce law, criminal; yet they are well-nigh universal, despite the penal clauses of that act. No better evidence of this need be adduced than the utter inability of the commission to procure evidence as to comparative local and through rates in many instances.

Equally despotic and unreasonable are the discriminations between kinds of goods and classes of business. In this, as in revenue law, were the rates, once fixed, allowed to remain, however unjustly and arbitrarily, business and prices would in time adjust themselves to correspond with the cost of transportation, and the loss to the consumers from payment of exorbitant freights would be the only serious injury. But freight charges enter so largely into the cost of consumption that changes and fluctuations in rates cause prices to fluctuate, so that any merchant who orders a large stock of a given article to-day may be a heavy loser to-morrow by a material reduction which redounds greatly to the profit of his rival in business.

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Lords of transportation are by nature and habit despotic. To their minds, the manner in which they adopt rates is no concern of those who pay them. They tolerate no interference on the part of those who, equally with themselves, are most concerned, and deny the right of even the Government to interfere with what *pro hâc vice* they term their private business. The whole history of the rule of traffic managers and traffic associations is a catalogue of incongruities, inequalities, unjust exactions, and cowardly advantages taken of those dependent upon them for transportation. The following examples, taken from the records of the Interstate Commerce Commission, serve to illustrate innumerable instances which might be cited; and as most of them have been brought to notice since the enactment of that law, its weakness and inadequacies as a remedy for railroad abuses are clearly demonstrated. A price which is practically prohibitory is charged by Eastern as well as Western roads on railroad ties. There are two motives for this. First, high rates of transportation enable the nearest line to obtain them for its own repairs at a price fixed by itself; secondly, prohibitory rates prevent or delay the construction of new lines, which, when completed, may become competitors. The Union Pacific has for years adhered to the evil policy of making prohibitory rates on steel rails intended for the construction of rival lines to the Pacific coast. The rates of the Southern Pacific on fruits have never been fixed and certain through a single fruit season, but have risen and fallen with the price of the commodity in the Eastern markets, being, however, always high, ranging between $250 and $600 per carload. The rule of "all that the traffic will bear" has always prevailed with this company, and is of general application. If any public duty were acknowledged by that great corporation, which more than any other has enjoyed the na-

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tional bounty, a rate would be fixed on grain and other coarse products of California, Nevada, and Arizona which would justify their being marketed on the Atlantic coast; but on all the heavier and cheaper products of the Pacific States its rates are prohibitory, so that water transportation and foreign markets are the only resource. But fresh fruits and fresh meats and live stock will not bear the delay incident to water transportation, so that the lion's share—often the entire profit—on the most profitable industries is appropriated by the half dozen millionaires who own the stocks and bonds of the Southern Pacific.

Individual instances of discrimination cannot be noticed. Committees of Congress and of State legislatures have from time to time investigated and reported, and reports by the Interstate Commerce Commission are filled with instances. All these and many others have been published, and are still being published, in the daily press. By taking note of these and many other instances with which shippers are familiar, the rapid strides of the railroad companies toward a total subversion of the constitutional right to equal opportunities, and usurpation of prerogatives denied even to the Government itself, are made manifest. Neither the Interstate Commerce act nor any State statute has done more than give expression to common-law principles; and the futility of trying to enforce justice on the part of railroad corporations by the mere reassertion of those principles which have been trampled under foot and ignored for many years, needs no demonstration.

The congressional enactment not only fails to do more than give expression to the common law, but it gives statutory recognition to a long-standing violation of the rights of the people under the common law. This reference is the exception made to the long- and short-haul provision of the act where there is water compe-

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tition. If it is right that the people should enjoy the benefits of competition between railroads, it is also just and proper that they should have the full benefits of transportation by water. The provision of the Interstate Commerce act which allows railroads to charge a less rate to and from points where there is competition by water, than for the same distance where there is no such competition, takes the pith and marrow from the whole act, and leaves it a sham and hollow mockery. For what purpose were our great oceans, lakes, and rivers given us? Were they bestowed by a bountiful Providence that their usefulness should be destroyed by an Act of Congress? Why should the energies and talents of many persons be excluded from the business of transporting their products by water, and enterprise in their field of industry hampered in the interest of other private citizens? The power to build up by legislation one private industry at the expense of another has been denied by our highest courts in special instances. Why should not the principle be given a general application? If, in the absence of this provision, and with the long- and short-haul clause made general, railroads cannot do the present volume of business at lake and river points, let them do less business. Let them devote their energies to the development of localities now neglected by them and discriminated against. Let each of the two means of transportation occupy the sphere which can be the most useful to the whole body of the people. And if it comes about that revenues are unsatisfactory, the result lies at the door of overcapitalization. Only a little reflection is necessary to discover the justness of this contention. Carriage of heavy freights, such as grain, coal, and lumber, from lake ports to New York are at least one hundred per cent less costly by water than by rail, and the necessary delay is, as a rule, a matter of no consequence. The rail rates on these have

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often been so low as to result in positive loss to the railroad companies. Of course these losses were made up on other articles. These heavy freights, carried by water in large quantities at the rates which were losing rates to the railroads, would have yielded a reasonable profit. The results of this discrimination, long continued, are the destruction of capital invested in lake and canal traffic, the withholding from this industry of new capital which would give profitable employment to many men, and misdirected energy of all the extra employees made necessary by the unnatural diversion of these heavy freights to the railroads. And, finally, as has been seen time and time again, when ocean, lake, canal, and river tonnage has been reduced so that a large proportion of the product *must* go by rail, if it go at all, rates have been increased and maintained through the power of the railroad pool. Such have been the experiences of San Francisco in her efforts to escape the clutches of the Southern Pacific monopoly by establishing an ocean line to New York in opposition to the railroad and Pacific Mail Steamship Company, owned by the railroad company. All efforts in this direction by the people of the Pacific metropolis have been strangled by the giant monopoly in their infancy, and men can no longer be found willing to so invest their capital that it may be wiped out by the stroke of the pen of the general freight agent of the Southern Pacific Company.

The Federal Government has, during the last seven years, appropriated, out of funds derived from taxation, $175,000,000 for a system of river and harbor improvements. These appropriations were made for the principal purpose of increasing transportation facilities; but the people have been robbed of this advantage, to a great extent, by this unwise exception from the general equalizing clause in the Interstate Commerce act.

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But the most demoralizing discriminations, submission to which implies the degradation of republican manhood, and the toleration of which by the general and State governments signifies the utter prostitution of power and surrender of the rights of sovereignty to despotic and conscienceless corporations, are those against individuals, and against others similarly situated, for the same service. What would be said of a law which provided that, in return for the benefits of the public schools in a particular State, each citizen by the name of Jones should pay fifty cents on the hundred dollars of property, but that each citizen by the name of Brown should be taxed $1 on the hundred. Any attempt to enforce such an unjust law would meet with violent resistance. But the railroad companies, possessing as they do powers, though not the rights, more absolute than the State itself, namely, the power to impose unequal taxation, the payment of which cannot be evaded or postponed, make such discriminations daily and habitually; and, though in violation of the penal provisions of the Interstate Commerce act, punishment is evaded by the coward's and the felon's plea. Governor Larabee, in "The Railroad Question," forcibly expresses the demoralization effected by individual discriminations. On page 137 he says: "Where such discrimination obtains, every shipper is in the power of the railroad corporation. It makes of independent citizens of a free country fawning parasites and obsequious sycophants, who accept favors from railroad managers, and in return do their bidding, however humiliating this may be. The shipper, realizing that managers' displeasure or good will toward him finds practical expression in his daily freight bills, finally loses, like the serf, all self-esteem in his efforts to propitiate an overbearing master. He is intimidated to such an extent that he never speaks openly of existing

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abuses lest he lose the special rates which have been given him; or, if he is not a participant of such privileges, lest additional favors be given to his rivals, and they be thus enabled to crush him."

Through individual discriminations the companies blight their enemies and reward their friends. This odious practice causes the ruin of honest, industrious citizens of independent dispositions from causes which are not publicly known; the wrong cause, such as dishonesty, lack of knowledge and enterprise, often being assigned. On the other hand, the pliant, cringing tools and implements of the railroad company, well fitted for obscurity, are raised to financial or political eminence. Instances may be found in nearly every considerable town and city in the West and in many Eastern towns. Some striking instances of this abuse of power were recorded by the Hepburn Committee, which found that intimidation of shippers was so widespread that they almost invariably refused to attend and testify until subpœnaed, lest they incur the hostility of the railroad companies and be ruined. The committee report showed that the special rates granted to favored shippers conformed to no system and varied without rule; that every application for a special rate was judged by itself and with reference to its own peculiar circumstances; and that it depended upon the judgment, or rather caprice, of the officer to whom the application was made, whether and to what extent a special rate should be granted. The reductions made to privileged merchants often amounted to more than what would be a fair profit to the dealer on the commodities shipped. The privileged dealer was thus enabled to undersell his rivals, and eventually force them out of business or into bankruptcy. It was not at all uncommon for railroad companies to allow discounts amounting to fifty, sixty, seventy, and even eighty per cent of the regular rates.

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Another branch of discrimination which may be more properly noticed under this head than any other, respects the location of new roads, by which we mean choice of routes and depot sites with a view to the profits of the promoters and their friends. In Mr. Lewis's work, entitled "National Consolidation of Railways" (page 83), he says: "In the newer sections of the country, when a new railroad line is projected, usually a town-lot and land company is organized, in which prominent officials of the railroad are principally interested, and their knowledge of the proposed location of the road is utilized in purchasing tracts of land, at nominal values, for town sites, to be sold, after the town is located, at an enormous advance. Frequently the line of the road is swerved from the best route to some inferior location to advance these private schemes. Sometimes the entire route becomes a land-grabbing scheme with a town-lot speculation attachment. The western half of one of the principal roads in Iowa was built mainly on this plan. Its natural route was along one of the old stage routes running through the county seats of the counties through which it must pass. About these towns was a well-settled country, with rich farms well improved for that early day. The towns were moderate in size, but had been established as trading points for many years, and stores, schools, and churches had grown up. But there was a belt of Government land, lying between the two belts of settlement about the respective county seats, which the road coveted, and if the line passed through the old towns there would be but little chance for speculative directors to profit by laying out town sites. So the road was laid out and built through the unsettled lands, avoiding every old town in its route. New towns were laid out to suit the views of the land company, and the line of the road was curved about according as the ten- or twenty-mile

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limit of the grant could produce more or less land. As a result, the old settlers, who had borne the brunt of peril and hardship in opening up the country, found their farms still far from the advantages of rail transportation, and the townspeople saw their business monopolized by the new trading points, with which they could not compete on account of the facilities the latter had through railway transportation."

Bond-inflation and stock-watering are responsible for much of the evils of discrimination. From the attempt, usually successful, to pay interest on money which was never invested and dividends on stock which represents no property, and often not a cent of outlay, flows discrimination, extortion, and robbery of the people. The people have been deceived by appearances, and have not generally taken the trouble to investigate and calculate for themselves.

The advantages of rebates and discriminations have enabled several great corporations, called "trusts," to reap the enormous gains that have made their power felt. We may take the Standard Oil Company as a fair example. Few people, reading of the enormous profits of the Standard Oil Company, amounting to from fifty to seventy-five million dollars per annum, realize the sources of profit amounting to so colossal a sum. But when one begins to study the subject, with some attention to detail, such profits appear not only feasible but rather conservative. It must be remembered that even at the prices charged, by some considered high, it is by far the cheapest illuminating material to be found, and on farms and in all towns and villages where no gas or electric plants have been established, it is the only economical means for artificial light. Not only so, but even in the cities there are, in the aggregate, hundreds of thousands of families who find the use of kerosene preferable to gas from an eco-

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nomic standpoint, and sometimes for other reasons; it is not only thus in the United States, but in Europe and South America, in Australasia, and in some Oriental nations. When we consider that the Standard Oil Company has the whole world for a market and enjoys a monopoly in several European countries, as well as in all this country, and that a substantial profit is realized for it upon each gallon sold; also that the mineral oil of the wells yields several valuable by-products; also that illumination is only one of the various uses of mineral oil in its different stages of perfection—we no longer wonder at the financial power of the few men who possess that monopoly, even with but a small margin of profit on each gallon retailed to the consumer. We have only to consider the bulky character of the article, even in its most highly refined condition, to understand that transportation is by far the most important problem connected with its manufacture and sale.

Given an advantage of a few cents per barrel in the matter of freight charge, any large establishment backed with abundant capital, can soon drive all competition out of both production of the oil and the refining business. Now the Standard Oil Company, from its first organization under that name by those now at the head of the New Jersey corporation, constituted the largest single shipper of freight in the world, and could select from whichever common carrier it pleased for the larger share of its transportation. It was not, as is the ordinary shipper, subject to such rates as some particular company had fixed, but was in a position to almost dictate its own rates. The management of the company were not slow to discover their power, nor reluctant to use it to the uttermost. It is not our purpose to recount or recite the many facts disclosed before various legislative committees and in judicial proceedings to prove that the railway companies of the United States, as well

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as the various steamship lines, are practically in partnership with Standard Oil. That such is the case cannot be now treated as a secret.

If anyone expects that any rate legislation will interfere with the compact between that colossal institution and others associated with it, their fiscal operations exceeding those of the United States Government, he has certainly profited but little from a study of recent legislative and judicial history.

Petroleum has for over twenty-five years ranked second in value among the exports from the United States, and in some years during that period it has ranked first. The Standard Oil Company appears to have been from the beginning an organization of men, possessed of large financial resources and great business ability, who adopted a rule-or-ruin policy. Nothing would be gained by reiterating all the tricks, impositions, misdeeds, and unfair advantages by which they obtained and retained their monopoly. No full and complete history of the subterfuges, concealments, and high-handed oppressions for which principals and agents in that organization are responsible can be given. Its operations, its espionage, competitive-price wars, bribes to power, purchases of favor, intimidations, betrayals of confidence, maneuvers and strategies for advantage, defiance of law in many forms, masterly retreats followed by victories, ranging through more than two decades—and its final triumph in the acquisition of a complete, unchallenged monopoly not only of the home markets, but of those of nearly all foreign nations—have been made subjects for more than one very interesting volume. When one studies the accounts given by Mr. Lloyd in "Wealth against Commonwealth," he wonders how such power over other great corporations, legislative bodies, even judicial officers, to say nothing of a large number of individuals, was ac-

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quired and held; and how any small body of men, however industrious, however richly endowed with business capacity and mastery of details, could keep in force and effect all its agreements, and manage all the subordinate corporations formed and employed by the parent organization. Good fortune, or wonderful sagacity, or both, must be conceded to them. In the whole history as given by Mr. Lloyd, covering, first and last, several hundred transactions—sometimes of a business and sometimes of a political or quasi-public nature, and indicative of thousands of other transactions—no instance is given of a betrayal of the confidence or interest of Standard Oil by anyone in its employ. It appears to have been an unsolvable mystery to that author, as it has been to many other persons, that such great and so many substantial favors in the form of rebates and discriminations were uniformly extended to the Trust by the railroads, apparently the carrying out of a common understanding and policy. This is not so remarkable when one gives thought to the railroad situation during the period when the oil monopoly was progressing toward its final consummation. That consummation was freedom from persistent competition in the field of production and conquest of markets at home and abroad. From 1871, when the associates who afterwards constituted the Standard Oil Company first began their war of extermination and conquest, until about 1887, when the last rival interest of formidable proportions had succumbed, was a period of railroad-rate wars and of frequent and serious losses resulting therefrom. Pooling agreements were frequently made, but as often broken, and demoralization and uncertainty in railway finance was the rule rather than the exception. So precarious was the condition of many roads, and so narrow the margin between a surplus and a deficit, that the patronage of a great shipper, such as was the Oil Trust, could not

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be lost to a railroad if by any reasonable concession it could be retained. Standard Oil had so contrived and managed—no matter how—as to become the only single shipper of oil that could guarantee such a quantity of that species of freight, in a transportable form, as would yield a certain considerable profit to all railroads penetrating the regions of production in crude state. The conditions were new and peculiar. The preparation of petroleum for use as an illuminant in large quantities was a new process, calling for the investment of large capital and the employment of men of considerable skill and some special experience. While the potential market for the finished product was world-wide and almost illimitable, yet the actual market had to be created and cultivated. While that was the situation as to refined oil, there was no market for crude oil except for refining, and there were subterranean rivers, lakes, and acres of crude oil. Now there is this peculiarity about natural oil: It can be reduced to possession, in form ready for the manufacturer (refiner), with less labor in proportion to quantity than any other commercial product, with the possible exception of sand, gravel, clay, etc. In these circumstances thousands of men forsook other occupations and sought riches in the production and sale of crude oil. At first a few fortunes were made quickly. Speculators got between production and consumption and paid the well owners prices which enriched the latter in a short time. But the varying fortunes of the speculators is another story. The few successes were a lure to a perfect craze of development, and of a production that the railroads could not have accommodated with transportation had they devoted all their steam-power to oil—assuming that they had cars adapted or adaptable to the purpose, which they had not, except to the extent of a very small percentage of the actual demand for the crude-oil product. The utter disap-

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pointment and ruin of the vast majority of investors in oil land was inevitable, whether the railroads attempted to furnish transportation or not. And had the roads made the requisite expenditures to provide suitable rolling stock of adequate capacity, and simply had charged actual cost of transportation, their investment in the additional rolling stock would have been ultimately lost, and the money paid them by the producers would merely have hastened the ruin of the producers. Such was the condition of the oil industry—if it may be called an industry—in the early seventies. There were possibilities for vast profit in manufacturing the crude product into a merchantable commodity and placing it before consumers. But the consumers had to be reached. Here was the opportunity for a man, or set of men, having the foresight, patience, and resources of John D. Rockefeller and those whom he selected for his associates.

Now there was here, as in every industrial situation, just one serious problem, and that was one of transportation. Let any man be given rates of transportation of a large, bulky commodity materially less than others in the same business, and his fortune is made, while the others must remain in business, if at all, on a restricted scale, and only so long as the favored shipper refrains from driving them out of the business. That is the lesson of prime importance which the people of this country should hasten to learn. It is not a new lesson or a recent discovery. Mr. Rockefeller and his associates acquired that knowledge, along with much more, long in advance of even our most gifted and trusted statesmen.

Now we have the Rockefeller association—whether then known as the Standard Oil Company or by some other name is immaterial—on the one hand, and we have the railroad situation, as above described, on the other.

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Too much valuable time and energy have been lost in personal abuse and appeals to passion, and too little to unbiased statements of actual conditions. We are seeking a popular condemnation and overthrow of the present railroad despotism, in which Mr. Rockefeller and his colossal wealth are most important factors; but that end can be just as well attained without misrepresenting the past methods of the Oil Trust and dealings between it and the railroads. Those publicity preachers, lecturers, and editors who divert public attention from real issues to personalities do much harm to the cause which most concerns the people, while doing no harm to the persons assailed. It should be recalled that at the date here referred to, the "private-business" attitude of railroad companies was scarcely challenged. The "trust" evil had attracted hardly any attention; so that the entering into such a private "gentleman's agreement," as has been often charged and fairly proved against Standard Oil and the railroads, would never perhaps have been seriously commented upon had it not been for results which were probably a surprise to one or both the parties mostly interested. Many elements enter into the traffic policy of a railroad company; but two considerations are of primal importance in fixing a rate: (1) The volume of the traffic, and (2) the uniformity, permanency, or continuity of the supply to be carried. Now, without some controlling hand in the oil business to regulate the supply and maintain uniformity and adequacy of price, both these elements were lacking. Add to this the fact that petroleum, in whatever state shipped, is among the most hazardous commodities to handle, and we have a very strong argument in favor of the railroads adopting the first feasible plan offered them for a solution of the oleaginous strife. At this juncture Standard Oil comes forward with a proposition either to ship a certain large quantity, or all the

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supply that it could control, by rail, and to guarantee an average profitable rate. But in order to make the volume of that traffic sufficiently large to be profitable to the railroads, and to insure uniformity of volume, that oil company must be conceded the right to unite with the companies in fixing the rates. That meant practically that the rate-making power was to be delegated to it. The rates must be high enough, as published, to suppress production except for delivery to that company, but low enough, in fact, to enable it to meet foreign competition and any local competition that might spring up in this country. Without these concessions the trust could not guarantee the two things desired by the railroad managers. There was only one method by which these ends could be attained, and that one was a resort to the rebate. The volume of the traffic was so large, in comparison with other kinds of freight, that even a low rate, so long as it meant a profit, made considerable difference in the net earnings of some of the initial roads, and was a strong argument in favor of its acceptance. At that time our industrial development was still in what may be called its infancy, and the difference between accepting and rejecting the proposition of the trust might be the difference between continuing to pay interest to bondholders and salaries to officers, and going into the hands of a receiver, especially if some rival road should accept it. The reasoning from a business standpoint was sound, whatever may be said about the morality of the transaction. It is sound as applied between the railroads and all the trusts, and the practice has prevailed, and will be continued, as long as the roads are in private hands, no matter what laws are passed by Congress or the States. The disposal of transportation at wholesale to a manufacturing monopoly is possible; it is seldom possible in the absence of such monopolists.

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Having agreed with one road, there was little difficulty in agreeing with others. In addition to the fear of loss, which meant the gain of a competing line, there was the influence of example, as strong with railroad officials as with any other class. But Standard Oil did not have to rely solely upon agreement. From the very start those in its control were in control of large revenues. Even in the seventies its annual profits ran into the millions. It was always in control of more money than any single institution in the country; and it was at all times ready to wield the power thus given to force obedience to its will. If a railroad management proved recalcitrant, why, the trust could go into the stock market and depress the price of the stock to a lower figure—and it was a period when railroad stocks were already depressed. If this did not bring them to terms, it could turn buyer, and soon obtain enough of the stock to change either the disposition or the personnel of the management. A well-paid railroad official likes his job as well as others. And for this reason, among others, since Congress cannot eliminate self-interest and wholesome fear from the breasts of railway managers, abolish the stock markets, or get control of the cash resources of the "community of interest," any rate legislation it may enact will prove as abortive in the future as in the past. But the evil against which the legislation is directed will be easily corrected if the other and direct route be taken, namely, the substitution of the Government itself for one of the parties to rebate and discriminatory agreements.

Resuming our account, Standard Oil succeeded in grafting its rebate arrangement, in some form, upon every important railway system in the United States, and probably upon all ocean lines; nor has this power of the monopoly diminished; on the contrary, it has vastly augmented. No corner of the Republic is suffi-

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ciently remote to secure exemption. As soon as the California oil fields proved that they could furnish a permanent supply, the railroads having lines there, under orders from Standard Oil, established prohibitory rates and then permitted the "Trust" to construct a pipe line to tide water upon its right of way, from which the road receives rentals in lieu of its share of freight rates. And such is said to be the practice as between the "Trust" and all railroads upon whose trackways pipes have been constructed.

The Standard Oil Company has practically monopolized the oil markets of the world; and while it cannot be justly charged with exacting an exorbitant price for oil, yet, no doubt, its prices are fixed with a view to encouraging larger consumption and yielding the maximum of profit. Its income has grown from ten millions per annum, in the seventies and early eighties, to thirty, then forty, and then fifty millions a year, the latter sum being fifty per cent dividends on its capitalization of $100,000,000.

That the railroad trust is the basis and mainstay of all other trusts, Governor La Follette, though standing for rate legislation rather than government ownership, bears testimony as follows: "In whatever way railroad managers have veiled their designs by greater diplomacy and finer phrasing, they have, with a sole regard to their own gain, given to every community in the country good service or bad, with discrimination or otherwise, at as high rates as they desired to make, and the only alternative offered to the public has been, and still is, to pay up or 'walk.' Under this system a few men have grown very rich, a few cities have been made very great commercial centers. But equality of opportunity has been destroyed for the individual or the independent business enterprise, and in thousands of communities the natural advantages for growth have been

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nullified, development arbitrarily dwarfed, and all commercial activities limited to mere local distribution. There would be no Standard Oil monopoly to-day, no meat monopoly, no coal monopoly, no grain monopoly, no great combinations filling the entire industrial field and destroying all industrial independence and freedom, no sacrifice of cities and towns in every State to the great markets at railway terminals—in short, there would not have been imposed upon the American people a system which presents to this generation the gravest problem that has confronted democracy, . . . if the Federal Government, in the exercise of its lawful authority, had, for the last thirty years, fully discharged its duty to the people who maintain it, by controlling railway services and railway rates on all interstate commerce."

It is a great mistake to suppose that the partnership between the railroad and the "Beef Trust" is of recent formation. The discriminations by the railroads in favor of the millionaire packers had their origin as far back as 1873, and have continued, and been more and more pronounced down to the present. And to-day the railroads are the mainstay of the "Beef Trust." During all these years the railroads have given rates to the dressed beef men which they refused other shippers of live stock, though the latter were ready to ship by the carload or even by the trainload.

It is not within the scope of this work to go into the almost limitless schemes and operations by which the "Beef Trust" has been built up. They have been very ably and thoroughly explained and exposed in a series of articles by Mr. E. F. Russell, in *Everybody's Magazine*, beginning with the February number, 1905, under the title, "The Greatest Trust in the World." He states and proves that the chief weapon and instrumentality in the creation and success of the trust are, and

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have been from its incipiency, rebates given and discriminations practiced by the railroads—another argument for the overthrow of the railroad oligarchy and for government ownership. The account given by Mr. Russell, together with official records in relation to the "Beef Trust," constitutes a strong illustration of the folly of expecting any relief against railroad abuses, or from the trusts built up and fostered thereby, by rate legislation or official action. The young man with a great and honored name who, having been made chief of the Bureau of Corporations and Publicity (that may not be the exact name), started in to investigate the "Beef Trust." He found that it was making so little money that it "is almost a charitable institution," as one editor expressed it. But, aside from Mr. Garfield's report, we know that, with a diminishing supply of live stock for butchering, the prices to stockraisers have been reduced, until thousands of farmers throughout the entire West have been ruined, and with them many banks, heretofore solvent, have failed; that losses aggregating many millions in money and scores of suicides, have resulted; that prices to butchers, instead of being reduced correspondingly, have been raised from twenty-five to fifty per cent. And, finally, we know that the "amiable" arrangement between the "Trust" magnates and between them and the railroads has not been disturbed, but is made to yield the "Trust" $25,000,000 per annum in rebates and rentals alone, to say nothing of profits on the traffic, which are probably twice as much more. No wonder Standard is willing to have Mr. Garfield investigate the Standard Oil Company.

But the area of meat, fruit, and vegetable production is so vast and their consumption so universal, that the monopoly must fail as soon as the advantage given it by the railroads is taken away. As evidence that the railroads were responsible for the private-car form

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of rebate, and that they were not helpless victims of the packers, attention is called to the fact that many exclusive contracts with the combination of packers have been canceled. The Chicago, Rock Island & Pacific Railroad, whose lines extend throughout the West, Northwest, South, and Southwest, has recently put on 1,500 refrigerator cars to accommodate the meat, fruit, and vegetable traffic on its lines. Other great systems have arranged and are arranging to follow its example. But the railways will henceforth collect most of the unfair profit heretofore paid to the "Trust." One monopoly will thus disappear, but its weapons will be simply passed over to a greater.

Since 1870 practically the entire source of supply of anthracite coal in the country has passed into the hands of certain railroads. These have passed forever from private citizens. The railroads first got possession of some of the most productive anthracite fields, and by putting the rates of transportation unreasonably high, and neglecting to furnish cars to others than themselves—except after they had glutted the market and reduced the price—froze out their competitors and forced them to sell at the railroads' own price. The companies now in control of the nation's anthracite supply promulgate and maintain a high freight rate on the product, notwithstanding that nearly all they receive for transportation is their own. The large stockholders of the railroad companies have incorporated themselves into coal companies, in the names of which they mine and sell the coal at exorbitant prices, which they seek to justify in part by pointing to these high freight charges. In some instances they continue to use the names of the original individual owners. Not satisfied with owning the supply of anthracite, the railroads began, many years ago, employing the same instruments of warfare against the owners of bituminous

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coal, and have continued to absorb the best fields. As long ago as 1888 a congressional investigating committee reported that railroad syndicates were buying all the best bituminous coal lands along their lines in Missouri, Kansas, Colorado, Arkansas, Tennessee, Alabama, and other States and Territories, no doubt with a view of levying tribute upon the people's fuel and the industrial fires of the country. Some one recently called attention to the fact that many poor people in the cities had found a way to beat the anthracite monopoly. They were learning how to avoid the obnoxious qualities of bituminous coal, and to use that. But now come the railroads and give an upward twist to rates for the transportation of bituminous coal, and thus close the last avenue of escape for the poor of the cities, who must pay fancy prices for even a poor quality of coal, or freeze. When it is the policy of the railroad owners of most of the coal to have a large output they furnish sufficient cars; at other times, if found necessary to create scarcity and a pretext for a raise in the price, they furnish few cars, or none at all.

It is one of the stock arguments against rate regulation—and, of course, made to do service when government ownership is proposed—that rates have considerably and constantly decreased within the last thirty years. That the reduction in the rates is in the interest of the railroads, and has not been made because it benefits the public, is shown by the fact that where an increase of the rate can be squeezed out of the coal traffic the companies have not been slow to increase it, whatever the injury to the public.

Coal is an article of greater volume than any other product carried by the railroads, and amounts to not less than 200,000,000 tons a year. The cost of its production has been largely reduced by new forms of machinery and new methods of loading and unloading; and

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cars of increased capacity, as well as more durable tracks, have been constructed in recent years, so that not only the product of mines but the transportation should show a reduction of fifty per cent. And yet the fact has been abundantly established, no less by common experience and market quotations than by evidence in litigations and investigations by commissions, that transportation rates for coal have largely increased and prices to consumers steadily advanced, though made to constantly fluctuate—sometimes higher than at other times, but always high, according to the absorbing power of the market. At all times rates have been so adjusted as to realize to the railroad-coal trust the largest cash income. By these high prices and by the fluctuations, the independent coal producers have been killed off one by one and forced to sell to the monopoly.

In the period succeeding the depression of 1893 to 1898, the people to a great extent lost sight of the exactions of the railroad-coal trust, but the investigation by the arbitration committee appointed by the President in 1902 gave the public a glimpse of the true state of affairs. But that had mostly to do with the labor phase of the subject. The people appear to have accepted the coal monopoly as an established institution and to have become in a measure reconciled to the prevalent high prices. There has been no special inquiry in recent years. Is this because of the influence of the railroad-coal trust in the halls of legislation? But investigations were made in 1888, both by State and Federal committees, and the uniform finding was that the railroad companies engaged in mining and transporting coal were practically in a combination to control the output and fix the price; that they had a practical monopoly of production and sale; that it was a common practice with them to run mines in the names of private operators and other companies formed by

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the railroad managers, the better to conceal their operations and deceive the public.

Such is the spirit and dominating idea of all the great monopolies; and among them no one factor has been half so potent and active in effecting an entire revolution in the methods of monopolizing the meat supply of the United States as the combination of railroads. The railroads are responsible for the Standard Oil monopoly—for that which refines and sells oil, as well as for the syndicate known by that name.

Oppressive and ruinous discriminations were the more direct causes for the recent agitation for congressional legislation on the subject of railroad transportation. But if indications count for anything, not even the general complaints against that grievous abuse will result in anything more than a mere farcical attempt at providing a remedy. The disposition of the Senate committee is evidently to excuse or justify discriminations, as is evidenced by its proceedings thus far. Its first witness was an attorney for the Atchison, Topeka & Santa Fé Railway. A member of the committee asked this penetrating and dazzling question: "Where traffic managers violate the law in granting rebates and discriminations to one shipper, do you think it would be right to compel the road to give all shippers the low rate?" This was the cue already prepared, and arranged for an argument by the attorney in favor of the practice of granting rebates and discriminations. That was one purpose for which he had sought to be called before the committee and which prompted it in sending for him. The other purpose was that he might produce an argument before the committee as to the rebates and discriminations of which Secretary of the Navy Morton was guilty—an argument justifying him to be the basis of a whitewashing report. Such argument the astute attorney proceeded to make. Thus it

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is seen that the same conditions prevail while the committee is sitting, and characterize its proceedings, as have long prevailed at sessions of the Senate. The hired counsel for great favored interests are on hand; so are the railroad presidents and lobbyists. But the other side—the side which the Senate and its committees are supposed to represent—are, in fact, absent and unrepresented. Does anyone suppose that any senator, not interested for, or in sympathy with, the railroads, would ask such a question as that asked by the committeeman?

Many credulous people had supposed that the Elkins committee had about concluded its labors and would have a bill of far-reaching import all ready to introduce at the opening of Congress on the 4th day of December, 1905. But it is more apparent from day to day that the history of the Interstate Commerce Act is to be repeated in any measure that the railroad trust will finally permit to be enacted. An Associated Press dispatch from Washington, dated October 25, 1905, was in part as follows: "The committee will take up the entire subject as if no bill had been considered heretofore, but it is expected that the chairman will be prepared to present a measure of his own as a basis for discussion. Senator Foraker also has a bill which will receive consideration. It is expected that when once convened the committee will continue its work until the opening of Congress on December 4th, and it is by no means probable that it will conclude by that time."

No higher authority could be cited as to the power possessed and facilities offered by transportation lines to the formation of industrial and trading monopolies, and as to the extent to which that power is exerted to support and perpetuate them, than the present Federal Interstate Commerce Commission. After a long recital of abuses and a confession of its inability to grapple with them, the commission, in its twelfth annual report,

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dated January 11, 1899, states that it "has no specific remedy to suggest which would not involve resort to measures of so radical a nature as would doubtless preclude its adoption." Then it says: "We are of the opinion that to avoid the discriminations and grievous inequalities now existing, the Government must ultimately, in some form or other, assume such measure of control over railroad rates and management as will restrict excessive competition and insure to all shippers, large and small, rich and poor, strong and weak, the same rights and privileges in everything pertaining to railway service."

The commissioners evidently have in mind government ownership as the only effective remedy, but lack the courage to express their true convictions. But the facts recited and the views expressed by them in their reports lead irresistibly to one, and only one, conclusion, and that is that the people of the United States must, in their organized capacity, sooner or later, own and operate the railroads.

It is impossible to ever relieve the people of the serious and manifold evils arising from discriminations, extortion, and oppression so long as the power to impose the most onerous taxation is farmed out to a few little sovereignties, each imposing "all the traffic will bear" within its allotted domain, to satisfy the insatiable greed of the holders of inflated indebtedness and watered stock. The only remedy is national ownership, and the imposition of only such rates as will pay the lowest rate of interest at which the Government can float the bonds for the purchase of the means of transportation at what it would cost to replace them, with expenses of operation and repairs added.

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CHAPTER XII

EVILS OF, AND ABUSES BY, RAILROADS IN PRIVATE HANDS —DANGERS TO EMPLOYEES AND PASSENGERS, AND DISCOMFORTS OF TRAVEL

In "Case of the Monopolies" (11 Coke, 84, 85), Lord Coke declared, three hundred years ago, as among other results of monopoly, that the price will be raised while the commodity is not as good as before.

A wholesale condemnation of railroad management, with respect to precautions and the lack of precautions to prevent accidents and loss of life in that business, could not do justice to them, or to the employees where lives are always endangered, or to the public, who must occasionally incur the risks of traveling by rail, without first ascertaining what proportion are due to carelessness or indifference of the management and what proportion would have occurred under the most skillful and cautious management. In the nature of the case, the acquisition of such knowledge is impossible. That much recklessness and indifference attend their operations is attested by the Interstate Commerce Commission, which, in 1902, made a very elaborate report on the subject. The report was largely statistical, but considerable space was devoted to showing the failure of managements to introduce safety appliances, a full discussion of which would occupy more space than can be here devoted to the subject. But it may be truly stated that railroads have shown, in an extreme degree, the disposition common to all monopolies to refuse the

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adoption of labor-saving and safety-securing inventions where the dividend account would not be at once favorably affected by their introduction. The statistics show that the number, both of employees and of passengers, who are killed and injured, in proportion to those employed and carried, are largely in excess of the corresponding numbers in any other country. Especially does this discrepancy against the railroads of the United States strikingly appear when comparison is made between them and the government-owned railroads in Europe, notwithstanding that the speed of trains in European countries is much greater, on an average, and the population much denser. This should satisfy the most skeptical that, even aside from the neglect to adopt and use modern inventions, many such accidents and much loss of life which now occur would be saved, and quicker service secured, under public than under private control. Under the former, the public service, comfort, and safety, rather than private profit, being the main object, more care would undoubtedly be taken, and improvements and safety appliances would be introduced as rapidly as possible. The figures of record with the commission representing deaths and accidents, in 1904, are positively startling, and alone constitute a strong argument for such change of control as will better protect employees and the public. The deaths from accident on interstate roads for the year ending June 30, 1904, were reported at 9,984, and the injuries that were not fatal at 78,247. In the last ten years Prussia has reduced the average of railway accidents from 6.8 per million train kilometers to 5.07. Accidents are three times as frequent in the United States. Prussia has government ownership.

Mr. Daniel T. Pierce, in *Public Opinion*, of May 27, 1905, presents the question of relative safety, and of use of safety appliances, in a strong light. The

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comparison is made between the privately owned system of the United States and the government-controlled system of Great Britain. He says: "The fact remains, nevertheless, the English railways carry twice as many passengers as ours do in a year, and kill and injure only one-tenth as many of these passengers. To put the case otherwise, our railroads killed 10,000 people and injured 75,000 last year. English railroads in the same year killed only 1,150 and injured 6,785. There is still another way of making the exhibit:

One passenger in		2,316,648	is killed in the	United States
"	"	8,461,309	" "	Great Britain
"	"	139,740	injured "	United States
"	"	470,848	" "	Great Britain
"	employee	399	killed "	United States
"	"	916	" "	Great Britain
"	"	26	injured "	United States
"	"	116	" "	Great Britain

At the very lowest valuation these figures show that slaughter and maiming by railways can be reduced to a minimum. There is no mystery in this. English railways kill and injure only one-tenth (it is really one-twentieth if the relative number of passengers is considered) as many people as are killed and injured here, simply because the English roads are equipped with safety devices and systems which our roads are not compelled to adopt."

Although sanitary science has made great progress and inventive genius has been providing the most perfect appliances, it is remarkable that railway managers have done so little toward providing facilities for properly ventilating their passenger coaches and sleeping cars. The deleterious effects upon health of poor ventilation have been recognized in every other place. Even poorly ventilated tenements are placed under the ban

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of the law, and systematic attempts have been made to secure adequate ventilation of factories and other places of employment. But although of all places where human beings are compelled to congregate a railway car should and could be the most perfectly ventilated, no sufficient appliances have been introduced. None except those of robust constitution and soundest lung and heart travel free from peril to health or life. It is either a window up or down or a transom open or shut. Either a chilling draft or stagnant deoxygenized poison. The injury that these conditions have done to health is incalculable. The deaths due to the murderous neglect of those whose duty it was to see to the comfort and safety of the traveling public have not been numbered, but are many. No less criminal are the conditions with respect to heating the cars. As a rule, the coaches in winter, spring, or fall are of a temperature ranging from about that of furnace heat to arctic coldness, while in summer, the young farmer, wearing a flannel shirt, exercises the railroad privilege of keeping a window wide open and throwing a draft upon the other occupants of the car. Under government ownership the sanitary condition of public conveyances (including street cars) would be looked after by boards of health, and these grave abuses corrected.

Another intolerable abuse of monopoly privileges by railroads relates to proper food and supplies of the traveling public. The money-grabbing, dyspepsia-breeding contrivance known as the railroad lunch counter ought to be put out of business. Whereas, it could make a good cup of coffee or tea for two cents and, selling at ten, make a profit of eight cents, it deals out a vile concoction at a cost of one cent and realizes a profit of nine cents. It cuts up and sells inferior articles of pies, cakes, and sandwiches at 600 per cent profit,

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whereas, it might sell wholesome foods of the same kind and quantities at the same price and at a profit of 400 to 500 per cent. The dining-car service is generally good, but the prices are extortionate for the poorer class of travel. Even the moderately well-to-do traveler is inclined to limit his orders upon an inspection of the price list. A five-minute lunch at the wayside joint above described, at an unusual hour, is the only alternative. One traveling, even on business, ought to be able to enjoy in some degree the pleasures of travel. But unless he has a plethoric purse he must travel with considerable discomfort and endure semi-starvation under the present system. Passengers are looked upon as simply so much traffic, and all the charges and extortions are heaped upon them that the traffic will bear. The railway magnate and his rich kin are provided with luxurious special trains, fully equipped with high-salaried cooks, waiters, and servants; congressmen, State legislators, judges, and the superlatively rich are furnished free passes. Other passengers pay the enormous cost of all that, and are given no more personal consideration than if they were so many head of live stock. Government ownership would afford relief from these intolerable evils. All alike would be required to pay the reduced charges, according to the kind of service demanded. Comfort, safety, and proper food would be provided at proper hours and at reasonable prices.

Those familiar with the crass indifference of railroad management to the comfort of passengers on Western roads had reasoned that on Eastern roads conditions must be better. The people of the West were therefore unprepared for the revelations made by the Associated Press, during the winter of 1904–5, within the immediate vicinity of New York City. Instances of trainloads of passengers "snowed in" on Long Isl-

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and for many hours, without food or the means of producing artificial heat, were common. Even from the New York Central, the main artery of the city's inland commerce, comes a story of the intolerable insolence and indifference of private control. A passenger upon a snow-stalled train related the following story, in which he was fully corroborated:

"At four o'clock the gas went out in all the cars, and the four hundred passengers were in darkness. Then the babies began crying and everybody was miserable. Protests were in vain. The babies were irrepressible and our annoyances were complete. Men and women clamored for coffee, but the trainmen would not serve it, saying the dining car was locked and would not be opened until seven o'clock in the morning. We felt that our sufferings might be alleviated as much as possible, although a rule of the railroad might be broken to do so."

Here is a well-authenticated report of even a more serious abuse on a Lackawanna express train:

"The twenty passengers, every one of them men, passed a night that they will never forget. Four of them were taken to Washington exhausted, and are under a physician's care. It was only through the aid of some men who lived near by that the passengers were able to leave the train just before noon. The passengers say they came near freezing to death and had to walk the aisles all night. When the train stalled, they say the steam from the locomotive was shut off, and the snow drifted into the cars until it was six inches deep on the seats. Some of the passengers tried to get into the baggage and mail cars, but found them locked. Peering through the windows, they observed that the conductor and his crew were inside a car that was comfortably heated."

If the electors of the nation could only travel enough

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by rail, a vast majority would soon become advocates of government ownership, "or anything for a change." It is only occasionally, in cases of sensational interest, that the public learn anything about these abuses through the press.

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CHAPTER XIII

EVILS OF, AND ABUSES BY, RAILROADS IN PRIVATE HANDS —AS SOURCE OF SOCIAL DISORDER AND NATIONAL DANGER

THERE have been several strikes by railway employees, within the memory of the present generation, characterized by violence, bloodshed, suspension of travel and traffic, and paralysis of business over areas more or less extensive. The alarming feature of these disturbances is the increasing violence and magnitude of each succeeding strike. The Pittsburg strike in 1878 resulted in the supremacy of mob law along one or two lines and the destruction of several lives and perhaps a million dollars in value of property. The Burlington strike in 1882, while not involving so many or such serious casualties to life and property, was more stubborn and protracted and extended over a much wider area. The great strike of 1894 developed a comprehensive and perfected organization among railway employees coextensive with the entire country. It was what is known as a sympathetic strike, and will go down in history as the Pullman strike. The country has been free from extensive railway strikes for several years; but causes that led to former strikes may produce others, and new causes may arise. The prominent facts developed by the great strike of 1894 teach much that should be turned to profitable account by the people. But the central truth evolved from the whole affair is the utter inadequacy of law, and of the judicial ma-

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chinery by which it is administered, to attain the ends of abstract justice. The law sanctioned the cutting down of wages by the Pullman Company to, or even below, the starvation point and the closing of the works, even if the employees died by the wayside. The law allowed the Pullman Company, while cutting down the wages, to get fresh subjects upon whom to practice the exhausting process, meanwhile to extract from the life-blood of these people twenty-four per cent profits on capital created by the labor of others whose flesh and blood they devoured at a former period of their highly successful and therefore very "respectable" business career. And Mr. George M. Pullman, having thus proved himself a law-abiding citizen, and by donating $100,000 having established himself as a philanthropist, expected to stand in the eyes of man and God without reproach. A thousand millionaires are the recipients of large revenues in the form of interest and dividends on fictitious capital, and these revenues are extorted from the sweat and toil of all the other people of the country. To continue and insure the rich streams of gold which swell their coffers, wages are reduced and an already tax-ridden people are compelled to pay fares and freights to the full extent that the traffic will bear —and the law allows it! When an association of workingmen cut out Pullman cars, "kill" engines, and force men who have taken their places to quit, armies are mobilized and the military and police forces of the country are put on a war footing, because the law won't allow it. When a score or more of multimillionaires assemble and form a trunk-line combination, the object and effect of which is to increase and maintain rates equivalent to unjust profits on railroad capital, they are spoken of in the press as "an assemblage of gentlemen met together to equalize rates and secure harmonious management"; nor is any law found to fit their

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case. To cap the climax, many publicists and statesmen have failed to profit by the experience of a quarter of a century, and have proposed to solve the railway question by statutory declarations and penal enactments. Every writer, including Governor La Follette, the most prominent advocate of governmental activity, has borne witness to the haste with which railroad managers proceeded to trample under foot the statutes passed by Congress and various State legislatures; and every statesman, including Senator John Sherman, the author of the Anti-Trust law of 1890 (which, however, was emasculated in committee after it left his hands), has seen the folly of attempting to regulate by municipal laws a power which has grown faster and stronger than the people of the United States. There are forces at work, social and economic, which no statute can control or direct, evil forces and calamitous tendencies inherent in the system of private ownership, which, instead of being eradicated by law, will under that system, if perpetuated, still further aggrandize and centralize capital and degrade labor, in spite of or by perversion of law. No better evidence of the misinformation in high places on this subject could be cited than the fact of the introduction of a bill in the United States Senate on July 10, 1894, by Senator Sherman, making it treason to belong to a labor union, and the fact of membership *prima facie* evidence of guilt. It is true that the bill offered consolation to the labor unionist for the loss of his only weapon against the greed and rapacity of the capitalists, a section making it likewise criminal for capitalists to combine against labor; but if the venerable statesman had been able to penetrate beneath the surface, he would have seen that capital has always been able to combine and perpetuate its combinations, law or no law, and that labor, owing to the very weakness of its numerical greatness, has never been able to

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combine effectively or to escape the penalties of law. The railroad employee, no less than any other divisions of the great army of labor, suffers on account of existing inequality of conditions. Many of the hardships and much of the oppression to which the railroad employees are subjected are directly traceable to the efforts of the managers to squeeze out of the business inequitable dividends and a high rate of interest on inflated capitalization. In the unequal contest for justice, individual protest counts for nothing, nor is organization often successful.

Organized capital when idle needs no clothing or fuel; but if the laborer persists in insisting upon his rights, the hunger and nakedness of those near and dear to him force him to either surrender unconditionally or to compromise for a fraction of his just dues.

Could the treatment of the employees of public utility corporations be worse than at present? Here is a true statement of the condition of the motormen employed on the Metropolitan (street) Railway system of New York during the dreadful winter of 1904–5: Many cases of pneumonia and frozen faces and limbs among motormen resulted from the blizzards. Passengers, who received blasts of icy air when the front door of a car was opened to let people in or out, were able to fully realize just what the motormen were enduring. The motormen dared not complain for fear of losing their positions, and the company did not apparently care how much the men suffered, and refused to stand the expense of vestibuling the car fronts.

Private ownership of these great public agencies, such as the railroad and the telegraph, are, in private hands, as much a menace to peace and good government as was slavery.

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CHAPTER XIV

REMEDIES AND PROPOSED REMEDIES—FUTILITY OF ATTEMPTS AT RATE REGULATION

EXCITEMENT soon dies out, while monopoly lives on. The extortions of railroad monopoly have been so rank of late as to stir up some of the people who were the worst hurt. To allay the present excitement there is much talk among Cabinet officers and in Congress about rate legislation, and some bill may be passed—some bill that accomplishes no more than did the Sherman Anti-Trust bill or the present Interstate Commerce act.

This rate-law agitation is one of the greatest farces ever placed upon the political stage. This refers to the measure so nicely adapted to forestall government ownership of railroads by a pretense of rate regulation. Regulation is one of the political ointments for a deep-rooted sore. Mere statutes attempting to hinder the railroads from taking all the traffic will bear and from making discriminations, will be mere makeshifts and deceptions. They will be ignored, and any of their provisions which stand in the way of existing abuses will be openly violated so long as these stupendous aggregations of financial and political power remain in private hands. Some of the politicians and editors who are so strenuously advocating more regulation know, and some do not know, the utter futility of such attempts.

The more effectually to allay agitation for an effectual remedy the railroad presidents have conceded that a certain degree of governmental supervision of

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rates is admissible. Having made such concession, it only remains for them to so direct and control the proceedings in the Senate that any measure there evolved, that will be claimed to regulate them, is harmless.

The great railway companies whose rates it is proposed to have fixed by Congress, extend through every State and Territory, and have their regular agents, as well as their secret political and professional employees, in almost every county. Each of these has brought to bear upon the Senate committee, to which the Townsend-Esch bill and the whole subject was referred, all his influence to prevent any effective action by the Senate. And it may be safely assumed that the committee is predisposed against effective rate legislation, and will not sanction any measure which will afford substantial relief. How did the committee begin the investigation? Did it call the plaintiffs into court? Did it call any earnest representatives of the people to specify abuses, to show discriminations, rebates to favored shippers, and rates so high as to strangle particular industries and ruin those engaged in business in certain localities, and to suggest provisions in a rate bill that would afford relief in such cases? No; it first called railroad presidents and their counsel, whose influence will be thrown against any measure whatever, unless it be a mere makeshift that can be used for campaign purposes, but which will not stand in the way of a continuance of all present abuses. With such a Senate and with such party environments it is absurd to suppose that President Roosevelt will be able to carry out his high-sounding resolutions on the subject of rate legislation.

By the making of this criticism the writer does not concede that the interests of the people would be served by the enactment of any rate-fixing bill whatever at this time. On the contrary, he insists that such a bill would be a delusion and merely work a postponement

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of the needed measure of relief. The reasons for this view it is proposed to fully state.

There is a widespread popular delusion on the subject, and the people should be undeceived just as soon as possible. It has been stated, and repeated over and over again, that what is needed is more power in the hands of the Interstate Commerce Commission, whereas, in fact, that body now has about all the power that Congress and the President can constitutionally confer. It is not from lack of any statutory power to regulate rates that the uselessness of the commission and its failure to give relief from abuses results, but from the fact that, by concerted action, the railroads defy and disregard its rulings and thwart its every effort to secure justice in cost of transportation and to prevent rebates and discriminations. If all the offenses defined in the existing Interstate Commerce law which have been committed by railroad officers and managers had been punished by fines, a considerable addition would have been made to the public revenues; and if by imprisonment, the jails and States' prisons of the country would have been crowded with that class of criminals exclusively. It is the same old story of making a thing criminal which has been for a long period a daily practice by a large class of persons. The more laws that are passed for the repression of abuses in railroad business, the more stupendous and hopeless the task of enforcing them. Despite the present Interstate Commerce act, passed in 1887, and despite the creation of the present commission, specially charged with the duty of enforcing its provisions, it is universally conceded that railway management is more tyrannical and oppressive than ever before. It is a suggestion of only ordinary prudence and pertinency to congressmen and senators that they ascertain what laws are at present in force, and what have been the experiences of the commission

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in attempts to enforce them, before voting for any more mere regulating statutes or creating any more commissions.

The true policy is to let the sore continue to run until Uncle Sam, the surgeon, applies the knife of government ownership. The Interstate Commerce Commission has, in every report thus far made, referred to the facility with which perjured testimony is procurable to rebut any allegation made before the commission in investigations before it, and the insolence and impunity with which railroad officials and managers refuse to give incriminating testimony, without which the commission is powerless. How is it possible for this difficulty to be overcome by extending the power of the commission over rates?

The letter of the laws now on the statute books could scarcely be improved upon. Their nonenforcement proves statutory regulation already a failure. Let us see what these laws are. The Interstate Commerce act, as it has been amended, prohibits unreasonable and unjustly discriminatory rates of every kind. It is not necessary that the commission should wait for some one to lodge a complaint with it. It may itself originate complaints against any person or company whom it has reason to suspect has been guilty of violating the law. Whenever it discovers, or its attention has been called to, a rate appearing to be unreasonable or unjustly discriminatory, it must order the carrier to immediately desist from maintaining and collecting that rate. In case of non-compliance with such order, the commission or any interested party may bring suit against the carrier, and the proper court must then afford a speedy hearing, and decree that this company obey the mandate of the commission, if the same be found to have been proper and lawful. Though an appeal may be taken to the Supreme Court from a decree of the Circuit

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Court in such a case, yet the order of the commission goes into effect, notwithstanding such appeal. But the Circuit Court may, notwithstanding its decree sustaining the action of the commission, order the suspension of the order of the commission if the justice of the case seems to require it. If the taking effect of the order be suspended, such terms may be imposed upon the carrier as the court sees fit; for instance, giving of bond or otherwise. By an amendment known as the Elkins act, the commission may obtain an injunction in the first instance without formal hearing, and thus stay the collection of any unjustly discriminatory rate. But although the feasibility of this remedy as a means for preventing unjust discriminations was pointed out by the Supreme Court in 1902, the commission has never availed itself of it in a single instance. Thus it will be found that, so far as statutory law is concerned, there is no abuse by any railroad that cannot be speedily reached and corrected, and it is not in the power of any carrier to defeat, suspend, or delay the operation of any order made by the commission by appeal, provided only that the unreasonableness or illegality of the rate against which the order is directed can be made to appear to the court. Another very effective legislative weapon in the hands of the commission, which has been but rarely if ever employed, is that of awarding damages to any person aggrieved by unlawful rates charged by carriers. Those who declaim against Congress for its failure to enact more effective laws, conferring upon the commission additional powers, find warrant for their assertions, that existing statutes are ineffective, in the reports of the commission itself, made to Congress from time to time, wherein the true cause of the failure of the commission to afford relief is not fully stated. These misleading reports have been reiterated and enlarged upon by writers in magazines and newspapers, by cam-

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paign orators on the stump, and by members of Congress, in and out of the halls of legislation, until the impression has become fixed in the public mind that all that is needed is more laws. The true cause for the breakdown of the Interstate Commerce law is not the insufficiency of its provisions, but the inability of the commission to enforce them against such powerful interests as the railroad oligarchy. And such inability will continue, no matter what laws are passed, so long as that oligarchy remains in possession and control of the means of transportation.

There are just as stringent prohibitions and just as detailed a method of procedure for the discovery, prevention, and punishment of discriminatory agreements and contrivances in the present Interstate Commerce act as Congress can enact by exercising its utmost ingenuity, aided by the legal acumen of the best lawyers. And yet, not in a single instance that can be cited, in the eighteen years since that act was placed among the laws of the nation, has the Standard Oil Company been deprived of the benefit of a discriminatory agreement. The reason is that such agreements are secret—gentlemen's agreements—the exact terms of which cannot be ascertained as a result of any efforts of which the Interstate Commerce Commission is capable. Such agreements are not of record—they are not reduced to writing. They are not even made on behalf of either "high contracting party" by a recognized official. They are made by counsel or by secret agents, whose names are never divulged, even if known to the chief officer of the shipping and railroad companies. For that reason investigations have thus far borne no fruit, and will bear none in the future, no matter what additional laws are enacted.

Neither the lawyers, managers, nor witnesses for the railroads have ever made any pretense of treating the

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commission with anything more than the mere semblance of outward respect. Witnesses have in many instances insolently refused to answer embarrassing questions, and lawyers for the companies have as often threatened that if the companies they represented did not like any orders made by the commission, such orders would be disregarded. These threats have usually been carried out.

If a palliative, in the form of a rate-fixing bill, be passed, it will take fifteen years for the people to learn its inefficiency through the courts. Meantime the railroads and trusts will have the works. Can the people be fooled again? Or will they demand such genuine relief as only government ownership will afford?

In Minnesota, Iowa, Illinois, Wisconsin, California, and a few other States, efforts to relieve the people from extortions and discriminations of railroad monopoly through boards of railroad commissioners have been made; but "failure" is the proper word to write at the end of every chapter of such legislation.

There is no doubt but that the corrupting influence of the corporation is to some extent responsible for the failure of State control through boards of railroad commissioners; but that the incapacity of those selected from other avocations to grapple with the problems submitted to them had a great deal to do with such failures is also evident. Governor La Follette, an ardent advocate of both State and Federal rate-making, submitted certain views, in a series of articles in the *Saturday Evening Post*, which obviate any further argument on this point. While he urges more direct State control of infrastate commerce, he fails to state any successful attempts at State regulation of rates in Wisconsin.

If this can be truly said in a State like Wisconsin, where three principal companies do nearly all the business, consisting—on one side, at least—of but a limited range of production, how can we expect a mere commis-

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sion to evolve men of sufficient capacity to fix rates for hundreds of railways, for the transportation of thousands of kinds of property, between States sometimes widely separated, and subject to intricate and rapidly changing conditions?

That State regulation of that comparatively small part of railway traffic carried on within the States has been little better than a farce where attempted, is easily demonstrable from the facts of current history. But as the subject of this work is broader in scope than any local experiment, we do not consider it necessary to discuss the experiments of State regulation.

Governor La Follette, President Roosevelt, and other advocates of rate legislation ought to realize that to undertake the control of the railroads by such halfway measures, leaving the business, the fiscal management, and the properties entirely in the hands of present private owners, will only end in failure. If the lesson from futile attempts of State governments are not sufficient to teach them its futility, they need only to turn to the congressional records and to the record of the Interstate Commerce Commission to be convinced. The dominating influence of railway and other great corporate interests in national affairs is there shown in history covering the last eighteen years. Look at the Interstate Commerce act and record of the Interstate Commerce Commission under it, and then answer the following questions propounded by the learned governor, who leaves the answers to them to implication: "Which has had the stronger hold upon State and national legislation during the last twenty years, the corporations or the people? Whose interests have been the more safely guarded? Where is the power lodged which has for seven years been strong enough to bar national legislation designed to enlarge the powers of the Interstate Commerce Commission?" Anyone of moderate infor-

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mation can answer the last question. It is lodged in that body designated in the Constitution and laws as the United States Senate. And it is folly to expect any relief from that quarter, either in the form of a rate bill or otherwise, even if such legislation were practicable and adequate.

Thence Governor La Follette proceeds to a vivid and elaborate portrayal of the necessity for relief from present conditions as a basis for a remedy. The remedy which his arguments and facts justify is not rate laws, which he suggests, but government ownership. He says: "In the long struggle to secure some legislation the friends of the measure have been content to ask little, and they have received nothing. But through all the years of waiting and disappointment, of ruin to individuals, and demoralization to the business of many communities, public sentiment has been gathering force. It is all-powerful when once aroused. Unless I mistake the temper of the American people, they will not halt or stop or compromise until that demand is fully satisfied." Yes, and that full measure is not such a "rate bill" as John D. Rockefeller, E. H. Harriman, A. J. Cassatt, and the Vanderbilts will consent that the Senate shall approve, and Governor La Follette appears to be fully aware of it. But he is not yet willing to break entirely with the reactionary influences that surround him. Thus we see the evil that has always resulted from following the teachings and advice of ambitious party leaders in matters affecting the purely economic problems of national life.

The pressure which the Wall Street financiers, left to own the railroads, can bring to bear upon any tribunal which Congress can create, for the purpose of even revising or correcting rates, will be irresistible in the future as in the past. Where a member of such tribunal is not the selection or tool of a political boss—

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as he may be—and therefore more than willing to secure the favor of the railroad oligarchy at the expense of the people, still he will have his weaknesses; and temptations assume so many seductive forms, and appeal to a man in public position so strongly, that he must be almost superhuman to stand against them. No man is beyond their reach. No man is exempt from the insidious poison, innuendo, and menaces, or the bold strikes of the rattlesnakes in the journalistic profession, ready, for a cheap subsidy, to belittle and defame an upright public officer. Nor can he always rely for his vindication upon the discriminating powers or love of justice and fair play of the reading public. Many an honest man has been proscribed, persecuted, and maligned by hell-hounds of the public press, and so mortified by the effect of the fabrications on the minds of the public as to almost wish that he had been born without principles, as were the majority of his highly respected and popularly accredited contemporaries. Editorial writers for great newspapers, posing as high exemplars of fearless morality, honesty, and, above all, conservatism, take care of plutocracy's exponents in cabinet positions, in the Senate, on the bench, and especially of those on railroad commissions. These are awarded ample space to keep their names and personalities before the public. Their comings and goings are noted, and they are permitted to write for publication such interviews with themselves as will make the public, whom they have betrayed and sold out, believe that they are incarnations of virtue and entitled to promotion. And the more subservient and useful a man makes himself to the favored interests, the more will they and their organs do for him. The creation of another commission to control the railroads is only to furnish a few more soft berths to be filled by the tools of the party bosses and Standard Oil syndicates, or by those who will at once,

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willingly or unwillingly, fall under their influence and power. The remedy is government ownership, in the administration of which we are rid of the railroad monopoly, the retainer of the national and local party bosses.

Railroads and other public-service corporations have monopolies acquired by utilizing governmental powers of eminent domain and franchises specially granted to and conferred upon them. Upon the basic monopolies thus acquired they have acquired others, by reason of the location of their properties, by combinations with others similarly favored, and by municipal ordinances granting exclusive use of streets, terminal privileges, and exclusive rights to collect tolls, rates, fares, and freights. They usually enjoy a combination of special privileges, some granted by law and others acquired by the exercise of those granted by statutes and ordinances. And so, governments having, sometimes by special and at other times by general laws, conferred the power on persons to create monopolies, all anti-monopoly legislation which falls short of taking it away is futile; because governments, having themselves previously appealed to the self-interest of men and encouraged and aided them to improve the opportunities which governments have provided, and having become responsible for transportation monopoly, without which competition, which would be a protection is eliminated, cannot hope to get rid of these abuses otherwise than by a withdrawal of monopoly privileges they have conferred, and thenceforth exercising them for the equal benefit of all the people.

The utter futility of enacting more penal statutes, and passing them up to the courts for enforcement, is demonstrated in the few instances where the Sherman Anti-Trust law was found to have been violated. A clause in that act provides as follows: "Every person

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who shall make any such contract (restrictive of interstate commerce), or engage in any such combination or conspiracy (in restraint of trade), shall be deemed guilty of a misdemeanor, and on conviction thereof shall be punished by fine, not exceeding Five Thousand Dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the courts." Several gentlemen, easy to find, entered openly into the Northern Securities combination. But no attempt has been made, so far as known, by any law officer to enforce the provision above quoted against anyone entering into that combination. What, then, will be the penalties by which evasion of a law regulating or fixing rates are to be enforced? If any, simply the fine, of course—which is never collected; with a discretion to inflict imprisonment—which is never invoked by the law officers of the Government, and which, of course, is never exercised. We read in the newspapers a great deal about the deep-laid plans of the Federal law department for the prosecution and punishment of corporations for the giving of rebates and other violations of the Interstate Commerce act. If it is the intention to take effective criminal action, why is it not taken against the officials, who are the really responsible and guilty parties? One need not seek far for the reason. If an individual is found guilty, there might be such a public demand for his imprisonment, rather than the imposition of a mere fine, as could not be resisted; whereas a corporation cannot be imprisoned. What does a great corporation, such as the Atchison, Topeka & Santa Fé Railway Company, for instance, or one of the trusts with an annual income running into the millions, care for a fine of $5,000—that being the limit?

Aside from the foregoing considerations, the idea of punitive regulation of railroads and other monopolies is one which has led many people far astray. After penal

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statutes are passed, men shrink instinctively from imposing heavy fines or terms of imprisonment for doing that which, without the statute, would be consistent with accepted ideals of business morality.

Each transportation service is based upon a contract, express or implied, usually in writing. First, there is the published freight schedule (sometimes called sheet), which is neither more nor less than, nor anything different from, a standing offer to perform a service for whoever has freight to haul. Whoever delivers freight to be carried accepts the terms so offered. A contract, partly written and partly printed—but what the law terms a written contract, popularly called a bill of lading—is then made out and delivered. Now the character and relation of the carrier as a party to such contract must be distinguished from its character and relation while performing it. Notwithstanding the position of advantage the carrier holds over the shipper, it nevertheless contracts simply in its capacity as a private party, and while its privilege to so contract may be regulated by the sovereign so as to forbid the exaction of an exorbitant rate, yet the sovereign, under such limitations as are contained in our Constitution, cannot entirely abrogate or destroy this right of contract. But under the power of Congress "to regulate commerce with foreign nations, and among the several States and with the Indian tribes," it is settled beyond the prospect of a change, in its ruling by the Supreme Court of the United States, that Congress may fix rates for transportation by rail, or it may declare general rules to govern rates and provide for their adjustment by a commission. Congress has as full and adequate powers herein with respect to interstate commerce as the States have with respect to infrastrate commerce, the only limitations upon the power being those found in provisions of the Federal Constitution, in the case

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of Congress, and in the Federal Constitution and State constitutions, in cases of State legislation.

The phases of the subject were clearly stated by Hon. W. S. Moody, Attorney General, in an officially communicated message to the Senate committee:

"First. There is a governmental power to fix the maximum future charges of carriers by railroad, vested in the Legislatures of the States with regard to transportation exclusively within the States, and vested in Congress with regard to all other transportation. Second. Although legislative power, properly speaking, cannot be delegated, the lawmaking body, having enacted into law the standard of charges which shall control, may intrust to an administrative body, not exercising in the true sense judicial power, the duty to fix rates in conformity with that standard. Third. The rate-making power is not a judicial function and cannot be conferred constitutionally upon the courts of the United States, either by way of original or appellate jurisdiction. Fourth. The courts, however, have the power to investigate any rate or rates fixed by legislative authority and to determine whether they are such as would be confiscatory of the property of the carrier, and, if they are judicially found to be confiscatory in their effect, to restrain their enforcement. Fifth. Any law which attempts to deprive the courts of this power is unconstitutional."

This opinion is founded, in respect to every point, on clear and specific rulings of the Supreme Court directly affirming that very point. No better illustration of the authority on which this opinion rests could be asked than the very decision which denied to the Interstate Commerce Commission the power to prescribe the just rate to take the place of one found to be unjust. The court held that Congress had the right to grant this power to the commission. But such a grant must be

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made directly and by specific language, which, the court held, was not done in the act of 1887.

The proposition of the administration, as modified since its first announcement, is that a commission shall be empowered to pass upon complaints that specified rates are unreasonable, and if a complaint be well founded, may, after so finding, declare the maximum rate which the company may charge and collect. It is clear that in every instance where a road has fixed a rate which has given rise to a complaint, and the question of its reasonableness has been litigated before the commission, the company will not then fix a rate lower than the maximum declared by the commission. The fact that it has stood its ground and litigated its claim of right to charge a rate still higher than the maximum rate thus declared, would preclude the idea that a still lower rate would be acceptable, until there was a considerable change in conditions. So that the power which is now sought to be conferred upon a commission is, in substance and effect, the power to fix or establish rates, in all cases where it acquires jurisdiction, by the presentation before it of a complaint. Since the Supreme Court has positively and unequivocally upheld the power conferred upon the Interstate Commerce Commission to prohibit the collection of a rate unreasonably high, the question of the powers of Congress, and of such commissions respectively, cannot be considered as one that is open to debate. But looking squarely at the true substance and effect of things practical, as well as theoretical, there is not the slightest difference between the present powers of the commission, if exercised in a roundabout way, and the power to be conferred by statute, to be exercised immediately and directly. For instance, Jones now comes before the commission and objects to the present rate on potatoes of fifty cents per hundred from Denver to Chicago, and, after hear-

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ing the carrier, it decides that the rate is unreasonable. The carrier then fixes the rate at forty-five, then forty cents, each in its turn being complained against and declared by the commission to be unreasonable, until at length a rate of thirty-five cents is reached in the descending scale. Then the commission announces that the carrier has reached a rate that is not unreasonable, and dismisses the complaint. The commission has as effectually fixed, or declared (if the latter term be preferred), a maximum rate, as if it had fixed it at the hearing of the complaint against the fifty-cent rate, and with a great deal less labor, expense, and annoyance to itself and the parties to the litigation. Nor can any legal objection be found to the commissioners now declaring *ex cathedra* their opinion of what a reasonable rate in a given case would be.

Now, going a short step further, the Supreme Court, by upholding the power of the commission to declare a rate unreasonable, has recognized its power to fix rates in a roundabout way, though asserting that, to enable it to do so directly, other and more specific legislation is required. And, upon the foregoing reasoning, a bill framed, as is the Townsend-Esch bill, merely trifles with the subject. Much better, if any such bill be seriously considered, would it be for the railroads as well as the public to directly, and in the fewest words, confer upon the commission the power to make freight schedules or rates.

But elements more difficult to deal with than any that have been mentioned enter into the problem of fixing rates through and by commission for the several hundred privately owned interstate roads in the United States. Among the matters for consideration may be mentioned competitive markets. Whether the markets to be considered in determining a rate for a particular road upon a given commodity be a home or a foreign

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market, there must, in a large percentage of cases, be considered also the ocean-carrying trade, with many adjunctive interests and closely or remotely connected questions of foreign trade. For instance, the foreign market for cotton is Liverpool. Here the competition between various steamship lines, and between these and tramp sailing vessels, keep the ocean rates constantly fluctuating. And when the cotton has arrived at Liverpool it comes in competition with cotton produced in other parts of the world. These are some of the matters that must be investigated; and they must be frequently looked into by traffic managers, and railroad rates to port must be adjusted from time to time, in order that great loss be not entailed upon shippers. Now it is evident that an attempt by a commission to fix a rate upon exportable articles, the rate to have the force and effect of law, with a penalty attached for its violation, would either prove abortive or would generally work the most serious injury to shippers as well as railroads before it could be changed. And before the evidence could be laid before it upon which a change was sought, the conditions requiring the change may have disappeared, or new conditions may have arisen rendering the rate made upon the facts before it most prejudicial to all parties in interest.

The term "discrimination" is a word of double meaning, being sometimes used in an abstract and at other times in a relative sense. In the former sense it is the duty of railroads to discriminate. Traffic managers must discriminate in making classifications of freight, which is the basis of all rate sheets. They must discriminate after the classification is made with reference to charges for the different classes; and this involves the exercise of judgment as to the volume of the traffic, market prices, advantages of different markets, development of new territory, probable aggregates of

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freight under other heads of classification, and many other matters, most of which are subject to variations. In reaching an ultimate result, in which each of these elements must be given its due effect, the keenest discriminating powers must be exercised at every step. The obnoxious sense of the term has reference, among other things, to deviations from an established rate, after it has been established, in dealing with individuals. Of course discrimination, in the vicious sense, may be practiced in making a classification. For instance, potatoes are placed in Class 4, upon which the rate is fifty cents per hundred, and apples in Class 5, upon which the rate is forty cents per hundred, and potatoes and apples command exactly the same price in the markets, and A is a producer of potatoes, while B is a producer of apples. The actual result is a discrimination between individuals. But market prices are constantly fluctuating, so that frequent changes of classification are proper, and if not made promptly whole sections and industries may be seriously injured. Can any commission that Congress can establish give proper attention to the innumerable changes occurring from day to day in prices of hundreds of staple articles of commerce involving many lines of railway? It is important to note in this connection that nearly every bill introduced provides for appeals, stays, and other delays.

The work of keeping the classification and rates properly adjusted upon any one of the great systems is one ever calling for the exercise of the very highest faculties of the most experienced traffic manager; and even then serious mistakes and inequalities are found to have occurred. Under government ownership the same talented and experienced managers could be retained; but under a rate-fixing commission the people would not stand the enormous expense of an army of highly salaried traffic managers working for the railroads, and

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the arrangement would be far from satisfactory to the companies, to speak with extreme moderation.

But we have not, so far, fairly made a beginning of the duties and responsibilities which must be assumed by a rate-fixing commission.

About the time the power to fix rates was first claimed for the commission, Judge Cooley, probably the ablest lawyer who was ever a member of the commission, speaking with reference to the difficulty of exercising such a power, said: "In a country so large as ours, with so vast a mileage of roads, it would be superhuman. A construction of the law which would require the performance would render the due administration of the law altogether impractical, and that fact tends strongly to show that such a construction could not have been intended." If the Supreme Court had not settled the question in favor of congressional power to fix rates, it would be opportune to remark that perhaps nothing would have been further from the intentions of the framers of the Constitution—if they could have foreseen a country within whose boundaries every climate was to be found, with the resulting variety of products, traversed by 200,000 miles of railway—than an attempt by Congress, under the Interstate Commerce clause, to decide and adjust the prices to be charged for transportation of each of hundreds of articles of commerce. The only way any commission could administer such a power would be through the coöperation of all the traffic managers in the country, whose opinions in that case must of necessity control the commission, so that practically the power to fix rates would then rest where it now rests. It is not any difficulty in construing or applying the present Interstate Commerce act that makes its enforcement so lax, but the fact that, for facts upon which to make decrees, the commissioners are always entirely dependent upon information obtained from rail-

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way management, which presupposes the good will and good offices of such management in enforcing the laws against themselves. It is not therefore difficult to foresee that, even if Congress attempted to exercise its power to fix rates, the statute must be a dead letter.

The rate is the basis of almost everything that makes railroad business worth while. It is the parent of wages; it is the key to corporate finance. The bondholder looks to it for his interest and for maintenance of the sinking fund; the stockholder for dividends. Such a commission must either ignore all these interests and fix rates arbitrarily, or must supervise, at least, the most complicated financial bureau ever known since the beginning of the world, having a separate and comprehensive department for each interstate road in the United States. Government ownership, on the other hand, would wipe out all these separate systems of railroad financing and substitute a simple plan, comprising one unified system, of which each road would be merely a branch line.

The absolute power to fix or make or establish rates signifies no greater or less dominion over railroad properties than that incident to ownership. That is almost self-evident. The only difference between the two conditions is that in the one case the tribunal making and enforcing the rate does it for private owners, and in the other for the Government. In the one case the profits of operating the roads, if any, go to a few individuals; in the other they go to the community at large. Such an extent of control as is contemplated by the more radical rate-fixers is ownership minus the benefits thereof.

Most of the difficult problems of classification and rates would disappear under government ownership. With all roads under a unified control, simplicity, permanency, and uniformity would take the place of complexity, fluctuation, and inequality. It would be an

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easier task to adjust rates for the whole country than for any one of the great interstate systems which still compete with each other, at least with reference to volume of traffic. No qualified railroad manager will venture to dispute any of the foregoing propositions.

The adjustment of rates is by far the most important and difficult problem of railroad management. If the Government can perform that function of ownership and administration, other functions offer no obstacles. No question of business quite so broad and intricate ever addressed itself to the modern business mind as this of fixing rates for transportation.

The eleventh annual report of the Interstate Commerce Commission mentions the technical knowledge required in the classification of commodities and the multitude of factors which must be considered. From a very able article on the subject by Henry C. Nicholas, in *Public Opinion* of recent date, the following excerpt is taken: "Briefly stated, the officials intrusted with the making of rates have to take into account whether commodities are crude, rough or finished, liquid or dry, knocked down or set up, loose or in bulk, nested or in boxes, or otherwise packed; if vegetables, whether green or dry, desiccated or evaporated, the market value and shipper's representation as to their character, the cost of service, length and direction of haul, the season and manner of shipment, the space occupied and weight, whether in carload or less than carload lots, the volume of annual shipments to be calculated on, the sort of car required, whether flat, gondola, box, tank, or special; whether ice or heat must be furnished, the speed of trains necessary for perishable or otherwise rush goods, the risk of handling, either to the goods themselves or other property; the weights, actual and estimated; the carrier's risk or owner's release from damage or loss. Even this enumeration does not begin to exhaust the numer-

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ous factors which have to be considered in the classification of freight. The cost of the service has to be ascertained and considered, as well as the value of the service rendered. To determine this latter factor alone it is necessary that the traffic experts should have an intimate knowledge of the costs of production of the various articles, of the market prices at different points, and the nature and character of the demand for the commodity—whether the article is a necessity or a luxury and whether or not some other commodity can be readily substituted for it. Traffic experts have to take into consideration whether the cars which will carry one class of freight in one direction will secure a load at that point or will have to be hauled back empty. Other factors, such as water competition, the competition of markets, the desirability of developing certain industries along the lines of the company, also have to be considered." But there is a fair and constitutional way of acquiring the power asked by the commission, viz., acquire title to the properties by exercising the right of eminent domain. Then the Government can as easily hire competent railroad talent as can the present owners of the railroads.

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CHAPTER XV

REMEDIES AND PROPOSED REMEDIES—VIEWS OF OTHERS

After years of practices amounting practically to robbery, by vast monopolies in transportation and production, and the waste of barrels of printers' ink spread over good white paper, there is no generally accepted view as to how they should be dealt with. Some say let them alone, some say exterminate, others regulate. These divergencies are largely due to ignorance of the real source of the power of individuals to obtain such control of particular lines of business as to make it unprofitable or impossible for others to engage in them. The success of a monopoly created by mere combination must be, in the nature of things, short lived. A deep study of the subject will disclose that every "trust" that need be feared has succeeded in its effort to monopolize that in which it deals by reason of special favors conferred upon it by law or by its having acquired a monopoly of the raw materials of manufacture by purchase or by favorable legislation.

For the manifold and intolerable evils of the present railroad system various remedies other than government ownership have been proposed. Several able writers have grappled with the railroad problem, each proposing a different remedy. But none of the proposed reforms will, in the opinion of the writer, reach the necessities of the case. In all that has been written and spoken, by anyone earnestly committed to radical reform, little, if anything, has been stated as facts which, being

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accepted, would stand in the way of government ownership. Governor Larabee, in "The Railroad Question," and Hon. R. M. La Follette, of Wisconsin, in a series of articles, entitled "Rate Regulation," advocate increased governmental activity and absolute governmental control, leaving the ownership of railways in private hands; but their able arguments and startling facts justify a more radical remedy than either proposes. Past violations and evasions of statutory regulations, pointed out by them, instead of justifying attempts at State regulations, appear to establish in advance the utter futility of depending upon legislative bodies to pass, the judiciary to uphold, or executives to enforce statutory remedies. The domination of the railroad corporations in politics and in every branch of Government is recognized by them throughout. Is it not plain, therefore, that State regulation means for the railroads self-regulation, and that this suggests no remedy, but rather a perpetuation of existing abuses? Without disparagement of others, it must be said of the former chief executive of Wisconsin that he has gone deeper into the railroad and transportation question, has more thoroughly analyzed the needs of the public, and has more fully catalogued the abuses of railroad corporations than any writer on this far-reaching and vastly important subject. The reforms which he proposes, if possible of accomplishment by legislation directed against the corporations as independent objects, would of course dispense with the necessity of government ownership and permanently dispose of the railroad problem as a problem. But much of what he has written consists of accounts of the struggles of the people in an organized capacity to accomplish a few of these reforms, and of their utter failure in nearly every phase. The governmental organs through which he proposes to revolutionize the entire transportation business of the

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nation are a Federal regulation bill and the Interstate Commerce Commission, with State boards of railroad commissioners. He deprecates any invasion of the rights of the several States to regulate their internal affairs. But there is, throughout his entire argument, the same reasoning to support the conclusion that national ownership will redound to the greatest good at the lowest cost of all the people, of all the States.

From the whole tenor and effect of Governor Larabee's discourse it is plainly apparent that he was only restrained from advocacy of national ownership by a fear of such radical innovations as would come in hostile conflict with deep-rooted ideas concerning the true theory of republican government. He says:

"A nation is, like the individual, inclined to follow beaten tracks. It finds it, as a rule, easier to improve these tracks than to abandon them and mark out a new course. Any proposition made for the improvement of our system of railroad transportation is, in the same proportion, likely to receive the approval of the masses in which it makes use of existing conditions. It will therefore be my aim, in making suggestions as to a more efficient control of this modern highway, to retain whatever good features the present system possesses, and to only propose such changes as may seem essential to restore to the railroad the character of a highway. As has been indicated above, any system of railway regulation, to be applicable to our circumstances, must recognize the dual sovereignty of nation and State. The great majority of our railroad corporations were originally created by the States and are only responsible to the States as long as they do not engage in interstate commerce. Even foreign corporations must submit to all police regulations of the State in which they do business, and as long as the American Constitution remains intact the individual States will, and should,

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assert their right to regulate local traffic and to exercise police supervision over all railroads crossing their boundaries."

Following beaten paths is incompatible with the idea of radical reform such as all admit is necessary. We must not lose sight of the magnitude and the dangerous character of the evil to be removed. Railroad tyranny in the United States is no less burdensome than was feudalism in ancient England or taxation without representation, which is one feature of the railroad problem. The latter grievance led to the separation from England, and must lead to a separation of transportation from private dominion. The "beaten path" was good enough for the corporations in Prussia, Austro-Hungary, Belgium, Germany, France, Australia, and other countries, but new paths proved very much better for the people in all of them. A nation should not necessarily be like an individual in this or in other things. A nation should intelligently consider the well-being of all the individuals which it represents. This is not saying that it should reflect the opinions of a minority; but, if we mistake not, a vast majority in this country are now willing to profit by the experience of foreign nations. Governor Larabee says any railroad system should be applicable to our circumstances and must recognize the dual sovereignty of nation and State. Until it is shown that national ownership of interstate railroads would interfere with this sovereign relation, this suggestion need not be considered. The only duty of a State government in the matter of transportation would be in direct line of that of the General Government. Both are interested in protecting the people from oppression and in securing cheap, safe, and efficient service. The people of the several States will quickly recognize the wisdom of relegating these matters of interstate concern exclusively to the Federal Govern-

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ment; and as to such matters as are local to the States there may be perfect harmony between Federal and State legislation. Further on the author admits the feasibility of securing complete harmony and coöperation between Federal and State commissions. If this be so as between mere executive arms of the two governments, why not as between the two governments themselves when the greater owns the subject to be regulated? The weakness and worthlessness of regulation through State boards is shown in the utter disregard of the railroad companies for the orders and decrees of such bodies when independent, and the frequency with which they fall into the power and under the influence of the railroad companies. And, notwithstanding that the subject of State regulation has been constantly agitated since 1869, when the first railroad commission was established with restricted powers, the number of States which have established commissions, or taken any steps to regulate railroad corporations, is still comparatively small. The hopelessness of relief from this source is virtually admitted by Governor Larabee in these words:

"To quiet the Granger movement the railroads favored, and finally secured, the adoption of the commissioner system in the West and the South, in which sections it attained its highest development. It was soon found that a commission after the Massachusetts model, when composed of men less competent or less disposed to do their duty, was liable to dwindle into a statistical board, or even become a pliant tool in the hands of the railroads. Furthermore, the conditions in Massachusetts, where railroad owners and railroad patrons lived side by side, and were in many instances even identical, differed materially from those found in the West and South, where railroad patrons were made to pay excessive rates to produce liberal dividends on fic-

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titious stocks for non-resident stockholders. Here a conflict between the railroads and such commissions as were determined to do their duty became often unavoidable. Railroad companies were, as a rule, disposed to disregard the recommendation of the commission to reduce exorbitant rates."

In his Philadelphia speech the President very wisely said: "No finally satisfactory result can be expected from merely State action. The action must come through the Federal Government. The business of the country is now carried on in a way of which the founders of our Constitution could by no possibility have had an idea. All great business concerns are engaged in interstate commerce. . . ."

That regulation through a national bureau would not be any better is also indirectly admitted by the author of "The Railroad Question." He says (page 431):

"It must be admitted that nearly all the evils connected with interstate transportation could soon be remedied were it not for the difficulties which the Interstate Commerce Commission encounters in the enforcement of the law. On the one hand, it is not possible with the machinery at present provided to detect and prove a considerable part of the violations of which railroad managers are daily guilty; and, on the other hand, if these violations are brought to light, there would not, according to the testimony of a prominent railroad man, be courts enough in the country to try the violators. Besides this, such is the artfulness of railroad managers that in a majority of cases it would be impossible to reach the guilty party, and subordinates would have to answer for the transgressions of their superiors."

It is also to be noted that decisions of the Federal courts have withdrawn from State commissions and

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vested in themselves practically all judicial discretion over the subject of rates. Thus, in the Iowa rate cases, Justice Brewer decided that "where the rates prescribed will not pay some compensation to the owners, then it is the duty of the courts to interfere and protect the companies from such rates." Then he defined compensation by saying that it implied three things: "Payment of cost of service, interest on bonds, and then some dividends." So the present state of the law, as interpreted by the highest courts in the nation, makes the reasonableness of rates a judicial matter dependent upon the sense of justice, and the whims and prejudices of the Federal judge having jurisdiction in the particular State where the question arises. There would be no room or necessity for judicial interpretation or opinion of reasonableness if the Government owned the roads. The rate fixed would be accepted as final and just, as in the matter of postal rates. The absurdity of this proposed rule of Justice Brewer is exposed by the Interstate Commerce Commission in these words:

"This comes nearer to a suggestion of a rule of law for these cases than any other that has come to the knowledge of the commission. But it is so far from being a rule of law that it is not even a rule of policy, or a practical rule to which any name can be given, and to which the carriers themselves or the public authorities can conform their action. In the first place, when we take into consideration the question of the condition of roads and of equipment, the proper improvements to be made, the new conveniences and appliances to be considered and made use of, if deemed desirable, and the innumerable questions that are involved in the matter of running expenses, it is very obvious that there can be no standard of expenses which the court can act upon and apply, but that the whole field is one of judgment in the exercise of a reasonable discretion by the manag-

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ing powers or by the public authorities in reviewing their action. It is to be borne in mind that there are many roads in the country that never have been, and in all probability will never be, able to pay their obligations and to pay dividends—even the slightest—to their stockholders. . . . If the rule suggested is a correct one, and must be adhered to by the public authorities, then it is entirely impossible that those who operate these roads can prescribe excessive charges, since it is impossible to fix any rates that would bring their revenues up to the point of enabling them to pay any dividends. . . . But the rule suggested would also be one under which these roads would be entitled to charge the most which, instead of being built with the money of the stockholders themselves, has been constructed with money borrowed, the larger the debt, the higher being the rates which would be legal. If a road were out of debt, so that it had no bonds to provide for, it must content itself with such rates as would pay some dividends to its stockholders. If the road were in debt, though it perhaps served the same communities, it might be entitled to charge rates fifty, or possibly one hundred, per cent higher. . . . But over and beyond all this, the attempt to apply the rule suggested would be absolutely futile for the reason that the rates prescribed for one road would necessarily affect all others that, either directly or indirectly, come in competition with it."

Nevertheless, the number of Federal judges who are officially inclined to favor—or, as they term it, protect—the railroads is constantly increasing. The plans proposed by the above-mentioned authors would vest in the Government a supervision of the details and minutiæ of the railroad business of the country no less strict and inquisitorial than would be required of it as owner. Such a relation is incompatible with private ownership,

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and would prove so odious as to prevent its enforcement. The plan includes the establishment of an inspection service similar to that now maintained by the Post Office and Treasury departments. The magnitude of this scheme and the unavoidable expense of carrying it into practice may be readily conceived. The number of employees required to keep track of the business and report periodically upon the condition of several hundred railroads would be no inconsiderable proportion of the number required to operate them. It would require an army of officialdom, which would be a constant annoyance to the citizen and an immense financial burden.

To remedy the frauds practiced upon stockholders by "freezing" them out, and other abuses of the present chaotic financing, the author of "The Railroad Question" purposes that the State should "compel railroad companies to liquidate all of their bonded indebtedness without unnecessary delay." To do this would undoubtedly place the railroads of the country on a sound basis; but during the process of liquidation what would become of their patrons, from whom the money would have to be taken to pay several billion dollars of indebtedness? The immediate enactment and enforcement of such a law would be to place all the railroad bonds at par and enormously increase railroad rates. National ownership contemplates the appraisement of, and payment for, the railroads at their real value, not counting the value of the franchises, which belong primarily to the public, to which they would immediately revert upon the cessation of private ownership. The larger part of railroad capitalization represents the value of franchises which the railroads enjoy by grace of the State temporarily, but which they never did own in any true sense of the word. These franchises have been recklessly accepted by incumbrancers as security for indebtedness; but the right to mortgage them at all

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is subject to the right of the State to withdraw them at any time for good cause. That feature of Governor Larabee's plan would devolve upon the Government all the labor and expense of railroad management, without the privilege of ownership, which would be a clear loss to the people and a clear gain to the railroad companies, however strict and inquisitorial the Government regulation.

The plan of reform of George H. Lewis, Esq., a member of the Des Moines bar, is national consolidation through the agency of a great national corporation. In 1893 there issued from his pen, and was published, a most learned and interesting work embodying his ideas, the title being "National Consolidation of Railroads." Like Governor Larabee, his contemporary in this fertile field for investigation and suggestion, he advanced unanswerable arguments for governmental ownership and direct Government management, but stopped just short of indorsing that solution of the problem. He must have the credit, however, of having ventured further toward the goal of national ownership than any other American writer of an elaborate treatise on the subject of transportation. His plan is, really, ownership by the General Government, but provides for the interposition of a corporation created by Congress, under the supervision and in the name of which all the railroad property in the nation is to be acquired through an appraisement and valuation, in all essential respects amounting to condemnation, under the power of eminent domain. While he gives the great change the name of consolidation, it would not, if carried out, constitute consolidation in the legal sense of the word, because the new corporation formed by a consolidation is created by the amalgamation of preëxistent corporations which merge to form one succeeding corporation. Mr. Lewis's plan provides for the creation of a corporation and the

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destruction of the original corporations. The distinction, however, is of little importance, since the end to be accomplished is the same, whatever the legal technique by which it is described. Its consummation could doubtless be as easily reached as by direct action in the name of the United States and through a direct exercise of its powers. But this question naturally arises: Why should the Government, having this undoubted power, delegate it to an intermediary, though the latter be a creature of its own laws? Mr. Lewis presents able and conclusive arguments in support of the proposition that the Federal Government has the constitutional power to acquire title to the railroad property by the indirect method proposed by him, and the same arguments, of course, demonstrate that the Government may constitutionally accomplish the same object directly. No reasons are assigned for preferring the indirect to a direct proceeding; but this plan, put into practice, would approach so nearly direct government control, as well as ownership, that it commends itself to all friends of radical reform as a long step in the right direction.

It appears proper in this connection to discuss some of the suggested remedies for the "trust" evil, considered as a matter separate from the transportation problem. It is rendered germane by the fact that, in the next chapter, the writer suggests the uses that can be made of government ownership and operation as a complete remedy, or rather as an effective antidote, for the same public grievance.

The Commissioner of the Bureau of Corporations, borrowing an idea from the Democratic platform of 1900, offers as a remedy for "trusts" what may be properly termed the license plan. The originator of the license plan is, as is generally well known, Hon. William J. Bryan. It is with reluctance that the writer objects to Mr. Bryan's remedy. Were it merely a ques-

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tion of policy he would incline to defer to the greater wisdom of Mr. Bryan, but there are objections based upon the inherent weakness of the plan and the loss of valuable time pending a trial. Some attention was given to it in Chapter I.

The license plan, as restated by Mr. Bryan in a recent issue of *Public Opinion*, is as follows: "The plan contemplates a law requiring corporations engaged in interstate commerce to take out a Federal license, upon terms and conditions to be prescribed by the law. Under this plan, a corporation organized in a State could do business in that State without interference from without. The people of the State could be trusted to regulate such corporations in their own interest and for their own protection. The moment a corporation organized in any State attempts to do business outside of the State, it enters the sphere of interstate commerce and comes under the scrutiny of the Federal authorities. A law requiring a license could be easily complied with by legitimate corporations. If, for instance, the law required a corporation applying for license to show that there was no water in its stock, and that it was not trying to monopolize any branch of business or the production of any article of merchandise, it would impose no hardship upon the corporation, because the evidence would be at hand and the legitimate corporation could well afford to take the trouble to secure a license in order to obtain protection from corporations bent upon monopoly." By way of advocacy of this plan, he says that "it strikes in such a way as to disable the monopoly without injuring any other corporations." Whether it would strike at the root of the evil may be a question upon which minds differ, but one objection that lies against it is that it would strike too many other things besides the root of the monopoly evil. The great defect in this plan is that it does not have due regard for the

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narrowness of the definition of interstate commerce and limitations upon the scope of congressional power in dealing with the subject, as explained in numerous Supreme Court decisions, notably in United States *vs.* E. C. Knight *et al* (156 U. S. Rep., 1). And in Daniel *vs.* The United States (19 L. Ed., 1002), the meaning of interstate commerce is limited to the movement of the articles from one State to another. This movement is held not to begin until the articles have been shipped or started for transportation from one State to another —Coe *vs.* Errol (116 U. S. Rep., 517).

It is true that there is no conflict between the license plan and government ownership, the former being intended to reach what are known as industrial trusts. But unless transportation can be controlled, all other remedies are likely to prove abortive. The trusts have been extensively aided by railway rebates and discriminations, as all concede. The principal objection, however, relates to difficulties of enforcement, already discussed in another connection. But it may be further suggested here that such a law could be easily evaded if not made applicable to individuals, copartnerships, and voluntary associations, as well as to corporations. If so framed it would apply to a considerable percentage of the whole population, and would still be easily evaded or require an utterly impracticable degree of supervision and extent of administration.

Still more vain is it to expect relief from a Federal incorporation law, as has been suggested. This idea is based upon the view that Congress, under whose acts corporations might be enacted, could, on account of such authority for their creation, control them when engaged in interstate commerce. But, without setting forth other grounds for objection, it is sufficient to say that, unless some constitutional power can be shown to compel existing corporations to surrender their charters granted by

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the States, and incorporate under such Federal act, it would afford no remedy either against existing railroad corporations or those complained of as "trusts"; nor could future organizations be compelled to elect to incorporate under its provisions. Senator Frank G. Newlands is urging a measure for national incorporation. All that he will accomplish will be a division in the ranks of those friendly to reform.

Judge Peter S. Grosscup, writing for *McClure's Magazine*, for February, 1905, vaguely hints at a remedy for the monopolization of wealth and opportunity, but just what he proposes is difficult to ascertain, unless it be a coöperative plan; besides, he makes no pretense of suggesting ways, means, or procedure for its attainment, whatever it is. The main trouble with him appears to be that he is restrained by his environment as a federal judge and the extremely conservative record he has made in that office, as well as by his outlook upon the social and economic world simply as a humanitarian, blinded somewhat by partisan bias. He sees all the evils of present conditions and tendencies in as strong light as the rankest socialist sees them, and his forebodings are as gloomy as the gloomiest. And yet the only hope of relief that he can discover depends for its fulfilment upon the voluntary reversal by the financiers responsible for present conditions of their policies, and the substitution for them, by the same financiers, of economic policies exactly similar to those contended for by the Socialist Labor Party (an organization whose principles differ but slightly from those of the State Socialists). And he does this notwithstanding that, in the same article, he condemns one of the leading national parties for advocating what he terms "semi-socialism."

Some of those who object to government ownership, because of its being a step toward socialism, offer a counter suggestion: that the existing method of form-

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ing a corporation, and offering its stock to the public as an investment, be tried by public authority as a species of "enlightened socialism." The people have had some costly lessons in that style of enlightenment. It is merely a stock-market scheme.

The employees of the Steel Trust who were fraudulently induced to invest their earnings in its stock at promotion prices could give valuable testimony as to the workings of that plan. This kind of "enlightened socialism" is not a new thing. It is the brand of which Standard Oil and Wall Street are so fond, and the only kind they approve. Under government ownership of railroads the rich may invest their accumulations, the business man his profits, and the poor his earnings without the risk of being defrauded or of losing the investment. Besides, each investor may have an effective vote in the selection of the management—which, indeed, he may have with the corporation plan; but, under the latter, what effect has his vote as against those in control? "Oh, yes!" the suggester says; "but the individual holders of the stock can combine." But this ignores the almost insuperable difficulties of various separating agencies, such as distance, lack of acquaintance, differences of opinion, etc. Railroad and trust managers have long since learned of these difficulties and taken every advantage of them.

We may illustrate by supposing a corporation has 1,000,000 shares. Suppose A and four others doing business in New York have each 50,000 shares, with 750,000 outstanding among 75,000 individuals in various States, each holding 10 shares. It would be a practical impossibility for one-third of the latter to meet, as it would for them to agree, if they did meet, upon a board of directors. So a few of them send proxies to directors or officers; some attend the meeting, while others give the annual meeting and election little

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or no thought, leaving A and the other New Yorkers, with their solid block of 250,000 shares and their proxies, to elect themselves to the board, and thence into the executive offices. In practice a much smaller amount of stock would be sufficient for securing and holding control. Ten per cent held by a single interest would usually suffice.

Among the proposed remedies are the single tax and socialism, which are not offered merely as specifics for the monopoly evil, but to effect the eradication of most or all industrial evils and abuses. Each is too far-reaching to entitle it to examination here.

Publicity of all internal affairs of corporations engaged in interstate trade has, strangely enough, been considered of sufficient importance as an anti-trust measure to lead to its indorsement in a presidential message to Congress and the establishment of a new commission, styled "Bureau of Corporations." It may be remarked here, incidentally, that no fact not generally known long in advance, or that any corporation would care to conceal, has ever come to the knowledge of the head of the bureau, nor is he likely ever to obtain any information that any corporation would not be willing to have published as a free advertisement of its business. But the publicity proposition as a preventive or palliative of the monopoly evil is ill-conceived and vain, as would be a cannon shot aimed at the moon. A pretext for such a purely ornamental functionary was found in the well-known fact that certain corporations, great and small, have issued stocks far in excess of the value of any property values possessed by them. If that be wrong—and whether it be such is a question about which there are grounds for differences of opinion—it is, at least, not one on which the commissioner can possibly shed a particle of light or give any additional publicity. There is really nothing pertaining to the sub-

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ject of stock watering that cannot be more easily and cheaply learned than by consulting any data he could obtain or keep on file. For a small sum, full information as to various issues of stocks and bonds, dealt in extensively by each and every corporation, can be obtained in printed form in Wall Street. This includes the issues by the so-called industrial trusts. As to other corporations, or even as to those last mentioned, how is it any concern of the Government? Is it for the protection of those who have made or contemplate making investments? He who has no more definite knowledge of any corporate scheme endeavoring to sell its shares than such a bureau could acquire had better keep his money in a bank. But why should the people be taxed for the benefit of a particular class of investors? Why should the Government assume guardianship of stock speculators or investors any more than of any other equal number of individuals? And what interest have those who are compelled to buy trust-made goods in the subject anyhow? Congress complied with the President's request and made the required appropriation. Supposing, apparently not without reason, that nothing more was desired, it made no better provision for the disposal of the information to be obtained than that it should be reported to the President. And yet it is called a bureau of publicity! The head of the bureau seems to be holding a sort of roving commission. He is heard of first in Chicago, where he made a report on the "Beef Trust." It is perhaps just as well not to add to the comment already made upon that report. Next he goes to Kansas and California, ostensibly to investigate the Standard Oil Company, but apparently merely to have himself interviewed and written up in the newspapers. The good-natured, easy-going people of the country see in all this merely the case of a very respectably connected and well-meaning young man

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making a spectacle of himself; but a little reflection would reveal to them that this is one of the many reasons for an alarming Treasury deficit.

Overcapitalization, or stock watering, merely pertains to the internal management of the monopoly in corporate form. It may be a means of deception upon the public, but it does not affect interstate commerce or the general welfare of the people of the States in such a way as to warrant legislative supervision or interference by the Federal Government. It is not an essential part of a corporate scheme for getting monopoly control of a commodity. It is a scheme in itself, outside of the thing called monopoly, for which remedies are afforded and against which interstate commerce and anti-monopoly laws are directed. If stock watering be an evil, it belongs to the class of wrongs which can only be dealt with under State laws. But it would be going far to say that where men form a corporation—in New Jersey, for instance—and turn over to it property worth $1,000,000, they may not capitalize it at $2,000,000, and undertake by fair means to sell the stock for the latter amount, or for any other sum that they are able to obtain. And if they sell for $2,000,000, and the corporation earns profits sufficient to regularly pay four-per-cent dividends on the $2,000,000 issue, the stock will be rated as one that ought to sell at par, though it may actually sell for less. These suggestions are not to be construed as a defense of overcapitalization or stock watering, out of which much fraud has grown. They are merely intended to show that it is a subject too intricate, too local, too dependent upon the circumstances of each case, too limited as to the number of individuals to be affected, too much a mere matter of opinion as to values, and, finally, too far unrelated to any head of legislation against restraint of interstate commerce, to be made a subject of Federal

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interference. That the creation and maintenance of a monopoly does not rest upon inflated stock issues is seen in the case of the Standard Oil Company, the greatest and most absolute monopoly in the world. No doubt, if a controlling interest were offered for sale, its shares, having a par value of $100, would sell for $1,000 per share, or even more. Ex-Speaker Thomas B. Reed, speaking on the same subject, once said: "Almost everybody announces that what we need is 'publicity.' Even this is vague. Do you expect the public to be intrusted with the cost sheets? If you do not, then what will your publicity amount to? If you mean by 'publicity' such a statement as will enable the outsider to buy wisely, or the stockholder to sell at the true value, I fear we may be going beyond the province of free government, which certainly thus far has left the task of keeping his fingers out of the fire to the citizen whose fingers they were."

The writer has thus clearly and fearlessly stated and discussed the current propositions for legislation against the monopoly evil, and shown that they are worthless or impracticable because aimed at mere incidents, or are misconceived on account of a lack of understanding of legal and constitutional phases, or because too inquisitorial, tedious, and expensive, or contemplate the complete overturning of representative government and the substitution of communism or socialism. He believes the legal and economic propositions hereinbefore stated to be unassailable; and yet sets up no claim by right of discovery, believing that all these things have been well known and fully appreciated by many party leaders both in and out of official station, and that they were not courageous and honest enough to make frank avowals lest they lose caste politically, financially, or socially.

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CHAPTER XVI

CONSTITUTIONALITY, FEASIBILITY, AND ADVANTAGES OF GOVERNMENT OWNERSHIP—OBJECTIONS ANSWERED

THAT Congress has power, incidentally to the regulation of interstate commerce, to construct, or otherwise acquire for national use, railways or other public ways, has passed beyond the pale of speculative discussion. It is an easy matter to suggest difficulties, real and imaginary, in the way of any great undertaking. Nothing of consequence or of permanent effect was ever accomplished either by the Government or by individuals without overcoming obstacles. But any government based upon popular will, subject to change, desiring to attain the ends of justice, will find a way to reach all the necessities of a given case. It is absurd to say that having established a constitutional government, in which the incumbents in all the departments are directly or indirectly chosen by the people and are their servants, that the people must stop short of good government; in other words, are not to be trusted to govern themselves, but are rather to remain in the hands of private corporations. On the same plea that is urged against public administration in transportation, the Government, upon consummation of the Louisiana purchase, should have turned over the vast empire thus acquired to individuals or corporations in trust for the people. These would no doubt have been successful in adding to the list a score or more of Rockefellers, Astors, and Morgans, but there would have been fewer

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happy homes in the West than are to be found to-day. The Interior Department of the Government deals largely with business which could be transacted in an individual or corporate capacity; but who would have the hardihood to insist that the Department of the Interior shall be abolished and all its details turned over to citizens and corporations? This department, like that of the post office, is a success. Why, then, should we not have a Department of Transportation, as have some other governments?

That railroads, in resorting to the right of eminent domain for the condemnation and acquisition of rights of way and terminal facilities, exercise delegated powers of the Government is well settled by repeated declarations and adjudications of the Federal and State Supreme Courts. The Supreme Court of the United States, in a comparatively recent case, said: "The State would have no power to grant the right of appropriation, unless the use to which the land was to be put was a public one. Taking land for railroad purposes is a taking for a public purpose, and the fact that it is taken for a public purpose is the sole justification for taking it at all." Such being true, railroads are governmental agencies, liable to have their agencies revoked, as in the case of any other relation of principal and agent.

The following utterances by the Supreme Court of the United States clearly indicate the public character of the service performed by common carriers: "The business of a public carrier is of a public nature, and in performing it the carrier is also performing, to a certain extent, a function of government." And in another case: "It has never been considered a matter of any importance that the road was built by the agency of a private corporation. No matter who is the agent, the function performed is that of the State. Though

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the ownership is private, the use is public." Governor La Follette as clearly admits the power of the Federal Government to acquire and operate railroads or other means for transportation, as is possible by the use of language. He says: "Government may conduct the transportation business itself, as it does in carrying the mails, and limited quantities of merchandise carried through the mails."

There may be some who have not given sufficient study to our constitutional system of government to understand why Congress has such limited powers over the great corporations called "Trusts," and yet has power, without amendment of the Constitution, to appropriate the railway properties in the same hands to government use and ownership. The apparently inconsistent propositions are reconciled when it is explained that the limitations imposed upon Congress are those of kind and not of degree. In other words, where Congress has power at all, its power is unlimited, within the definition of the power; but, when it lacks power, it is as impotent as any other equal number of individuals assembled together in any part of the world. This rule applies not only to powers directly conferred by the Constitution, but to the residuary power now to be discussed.

The power of eminent domain, as a power to be directly exercised by Government for the people as a whole, was not expressly given to Congress in the Constitution for two reasons. First, it was a power so essential to the very existence of the Government, underlying the Constitution and being prior and superior to it, that it was thought an express delegation of it was unnecessary, as has been frequently explained by the courts. Second, it was a power of such limitless scope and magnitude, necessary to be exercised upon such an infinite variety of occasions and under such circum-

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stances of urgency, that it was thought not safe to confer upon Congress the power to limit its exercise by either a failure to legislate at all or by enacting laws on the subject of inadequate scope.

And so it has become as fully established by law as if it had been embodied in an elaborate, unambiguous constitutional provision, that there is a residuum of sovereignty not given to the legislative, or the executive, or the judicial department, but reserved to be exercised upon proper, but rare occasions by the executive alone, and at any time by Congress conjointly with the other departments. The ancient maxim, *Salus populi est suprema lex*, is an expression of this reserved power in terms of the common law. When President Lincoln by proclamation freed the slaves, as a war measure, that was an exercise of this reserved power. And although the new rights of the freed men were subsequently secured by constitutional amendments, which also guaranteed them political rights, their exemption from slavery was no more secure after than before the amendments. So, if a war were to suddenly spring up between this nation and a foreign power during a recess of Congress, of such magnitude that the national safety required the immediate transportation of a million soldiers and vast quantities of military supplies from one part of the country to another, the President could, in a few hours after declaring war, appropriate by executive order the full carrying capacity of all water craft and all railroad lines and equipage that he deemed necessary for the mobilization of the army and navy. And, going to the extreme verge of sovereign power, our Government could, in a last desperate extremity, by going through the form of levying and collecting taxes, appropriate for purposes of common defense, without compensation, every form of private property.

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But, even in the absence of any constitutional provision whatever, a public sense of justice would restrain a government from appropriating to its permanent use, without compensation, the mechanism of transportation, in the absence of some such emergency as that above described. In recognition of the existence and controlling force of public conscience, the duty of the Government arises to award and pay compensation for interstate railways. In ordinary times the executive department is principally an agency for the enforcement of statutes and court decrees as he finds them. Hence, it will be necessary that Congress legislate, in order to set the wheels of the Government in motion, in order to accomplish government ownership of interstate railroads, telegraph lines, etc.

Whenever remedies are proposed for wrongs and abuses of the present railroad system, objections from railroad officials and attorneys, based upon alleged constitutional grounds, are forthcoming. These preservers of constitutional liberty, in offering objections, presume quite as much upon the ignorance of the people as upon the servility and cowardice, or "conservatism," of politicians. No statesman of any period, not even the strict constructionists of the Jeffersonian school, has ever contended for a limitation upon the sovereign power of eminent domain, by which is meant absolute governmental dominion over private property of individuals and corporations when its assertion becomes necessary for the attainment of a public object or to the due performance of governmental functions. And it is an equally well-established principle that the legislative department may not only take private property without limit, except subject to the condition that compensation shall be made to the owner, but that it may determine and declare what shall constitute a public use. Coextensive with the power which sovereignty possesses to

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regulate its internal affairs by suitable laws, and likewise subject to the condition that the purpose for which it is exercised must appertain to the self-preservation and good government of the community at large, is the right to take private property for public use upon making just compensation to the owner. The power to do this is so essential to the maintenance of sovereignty and the performance of governmental duties by the State, that it supervenes all private right, and by long-established construction is deemed to have been implicitly excepted from the general terms of the Federal Constitution with respect to the inviolability of contracts. The right exists in the limited sovereignty of the Federal Government, as well as in the more extensive powers of the States. Pertaining to the former, the public use must be within the scope of its limited powers and necessary for their preservation, but cannot be exercised for the enlargement of such powers or in derogation of the reserved sovereign rights of the States. The right of eminent domain in both is commensurate with their respective powers.

The power of eminent domain may be wielded in a proper case, and subject to the condition that due compensation be made against every species of property whatever and from whatsoever source acquired. Contracts, as well as tangible property derived from the State itself, are deemed to be acquired and held subject to the superior title and ultimate right of revocation reserved and to be asserted by the State whenever required for the public good. There are two exceptions to this statement: money, or that which ordinarily passes as such; and such rights in action as can only be made available when made to produce money—for instance, bills of exchange, bank checks, etc. The reason for these exceptions is that money itself is an instrument of sovereignty.

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Under the term "property" are included franchises. In West River Bridge Company *vs.* Dix (6 How., 507, 531, 533), the Court says: "We are aware of nothing peculiar to a franchise which can class it higher or more sacred than other property. A franchise is property, and nothing more. . . . A franchise, therefore, to erect a bridge, to construct a road, to keep a ferry, and to collect tolls upon them, granted by the authority of the State, we regard as occupying the same position, with respect to the paramount power and duty of the State to protect and promote the public good, as does the right of the citizen to the possession and enjoyment of his land under the patent or contract with the State; and it can no more interpose any obstruction in the way of their just exertion. Such exertion we hold not to be within the inhibition of the Constitution, and no violation of a contract. The contracts between members of a corporation and the corporate interests of members in its property, of every description, are, like other property, subject to be appropriated. Nor can there be in any act of incorporation any contract binding on the State that the corporation so formed may not have its operations suspended by the State in the exercise of the power of eminent domain."

In the face of all this law, we find railroad attorneys contending that, because the railroads hold charters from the several States, the Government has no right to seize them by any right of eminent domain; that, before this could be done, we must have the Constitution changed; and this amendment would have to be ratified by two-thirds of the States. Since a franchise acquired from the State—other than the franchise of being a corporation—is merely property, it may be taken just like other property. This proposition has also been judicially settled. In the case of Kohl *vs.*

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United States (91 U. S. Rep., 367), a unanimous opinion was rendered, in the course of which we find this language: "It has been seriously contended during the argument that the United States Government is without power to appropriate lands or other property within the States for its own uses and to enable it to perform its own functions. Such an authority is essential to its independent existence and perpetuity. These cannot be preserved if the obstinacy of a private person, or if any other authority can prevent the acquisition of the means or instruments by which alone the governmental functions can be performed. The powers vested by the Constitution in the General Government demand for their exercise the acquisition of lands in all the States. These are needed for forts, arsenals, and armories; for navy yards and lighthouses, for customhouses, post offices, and courthouses, and for other public uses. If the right to acquire property for such uses may be made a barren right by the unwillingness of property holders to sell, or by the action of a State prohibiting a sale to the Federal Government, the constitutional grants of power may be rendered nugatory, and the Government is dependent for its practical existence upon the will of a State, or even upon that of a private citizen. This cannot be."

There is another objection, based sometimes upon expediency, and often upon constitutional grounds, touching the authority of the Government to use the railroads for the purposes for which they are best adapted after their acquisition by the Government. In other words, it is urged that the Government cannot, without an enlargement of its powers by constitutional amendment, engage in the business of transportation. The first fault in this line of reasoning is an assumption, contrary to the fact, that the business of transportation is private; and the second is a miscon-

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struction of the clauses of the Constitution which confer such power upon Congress. Transportation falls more fully within the term "interstate commerce," than any operation of the Government which is not strictly official. Postal service is not required by every citizen. Many persons seldom, and some never, send or receive a letter or a newspaper, but there are none so humble or so exalted as to escape the tax collected by railroads in the form of fares and freights.

Every time government ownership is mentioned, some one, whose cranium has absorbed the false teachings of the money power, takes issue on the ground that it is a step in the direction of paternalism. Sometimes the term socialism is used; but the one serves his purpose as well as the other, which is solely to arouse political or class prejudice. Some protest because they ignore, or do not understand, the true nature of democratic government; others from motives of real or supposed self-interest. In a wide sense, paternalism is the essence of civil government; and, even in the sense of the term accepted by ultraconservatism as obnoxious, paternalism is an important and indispensable feature of every form of government under the sun. In the conduct of the post office, in the regulation of commerce, in the public-school system, in the administration of the estates of decedents, minors, and insolvents, in the care of the insane, in the administration of penal and reformatory institutions, we see paternalism applied to individuals. But in the acquisition and operation of railroads and other means of transportation, we would see the governmental power exerted for the common weal without reference to the individuals affected.

Fortunately for the people, they are learning not to be frightened by the bugbear of socialism. There are comparatively few socialists in the country, and there will be still fewer when the Government is restored

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to truly democratic ideals. During a recent lecture course at Cooper Union, in New York, it was noticed that every utterance in favor of public ownership of utilities was heartily applauded. Thereupon it was asserted by the monopoly press that the audiences were principally socialistic. So at one of the meetings a vote was taken. Out of 1,200 in attendance, it was found that only 20 were socialists. And then, when all who believed the time had come for the community to assert a larger control over public enterprises were requested to rise, the entire audience rose. The really dangerous element in the community are those who sound the alarm of socialism whenever the people are endeavoring to get back their own.

Hon. Thomas M. Patterson, senator from Colorado, a courageous and honest man, said in the Senate, on February 22, 1905: "I do not believe that a great question like government ownership of railroads is to be put down by an epithet, or the misapplication of a name, or the misunderstanding of a term. Government ownership has been magnified into a bugaboo. It is not socialism, any more than is the transportation of mails by the Government of the United States, or the transportation of packages and the delivery of them to the owners by the Government. Our Agricultural Department, under almost every test that can be applied to socialism—not after the teachings of Karl Marx, but as socialism is generally understood by intelligent people—is nothing less than a great governmental institution, managed and controlled in the spirit of socialism." Wholly inconsistent are the views and attitude of those who contemplate with entire complacency the insolence, arrogance, and disregard for law, of monopoly, and discover socialism and ruin in the assertion by the people that they have the right to exercise the constitutional power of eminent domain to

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regain their own. The political sage, as well as trust-controlled organs of publicity, that are to-day condemning the doctrine of public ownership as radicalism, were a few years ago ridiculing warnings against trust and railroad monopoly as mere populistic alarms, and making light of the suggestion that these might become evils of national magnitude. The newspaper that to-day took that view would soon find itself without a subscription list. The do-nothing apostles decry the plea for public ownership as radicalism, and therefore untenable. Let it then be called radicalism. Radicalism is to-day the voice of authority not only in politics, but in religion and philosophy. The only aggravated and pernicious phase of paternalism in our governments, national and State, is the doctrine, declared by the courts and recognized by legislative bodies and executive boards, that those who become stockholders in railroads and other public-service corporations, and buy their bonds, are entitled to a reasonable return upon their investments, regardless of the wisdom of making the investments, and regardless of the question whether construction and operation have been economical or extravagant; regardless of the question whether improvements and extensions were necessary and timely or ill-advised and premature; also—and here is the nub of the whole matter—regardless of whether the rate which must be charged to insure such "reasonable return" is reasonable or unreasonable. Indeed, the bald and false assumption of the major premise is seen here. The question of a reasonable return is made the test of a reasonable rate. This false and pernicious doctrine has become firmly annexed to, or engrafted upon, our jurisprudence, and makes the entire community a guarantor of a particular class of investors against loss. And yet the beneficiaries of this perversion of democratic government find no argument against government

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ownership so self-satisfying and effective as that based upon a fear of paternalism.

Really, when we come to analyze the visible manifestations of government, we shall find that in some sense its only functions are paternalistic. No family can be kept together without submission, either voluntary or involuntary, of all its members to a central authority, presumed to best understand and to be best qualified to judge of the common as well as the individual wants of the members. What more or different part does constitutional government perform? There was a time, not far remote, when many communities produced and consumed, or produced and trafficked, in isolation from the world. But to-day a temporary stoppage of all trains would cause annoyance to many; a general interruption of communication by rail for ten days would result in widespread distress and suffering. The question of transportation transcends any other in importance and urgency.

Among the enemies of government ownership—in fact, of any Federal curb whatever on monopoly—are the sticklers for the supposed rights of the States under whose laws monopoly corporations are incorporated. There are two classes of States'-righters. First, those who cling to the State as a sovereignty superior to the National Government, as a matter of mere sentiment or pride. These, as a rule, have not studied any constitutional bearings of the question, but simply and stupidly stand ready and willing to be devoured rather than surrender, possessed of a narrow ingrained prejudice, of no value in any form whatever. Second, the retained lawyer, standing ready to grasp at anything to bolster up the weak cause of monopoly and to appeal to the political States'-righters' conceit. It may be well to observe that the latter always manage to reach the conclusion that no legislation by either State or

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Federal sovereignty is needed, and that all the complaints by the people are groundless. Thus one of them, after having himself interviewed for publication about the date of the passage of the Townsend-Esch bill, and after uttering strong States' rights sentiments, concluded with these words: "Looking at the subject in the light of every fact which I have been able to discover, I see no reason why there should be any legislation in respect to this question of aggregated capital." Another—also particular to have himself written down as a great corporation and constitutional lawyer—made his States' rights plea at great length, but applied to the proposed Federal legislation the terms "imperialism" and "centralization." He wound up his interview with the words, "I do not believe the safety and prosperity of this country can be insured by any particular legislation." It may be noted that all those defenders of monopoly who thus have themselves interviewed and advertised—and none others appear to have the privilege—deprecate any action by the Federal Government as a step toward the centralization of power in the National Government, but are entirely willing that that Government shall be swallowed up or nullified by Wall Street. They never apply to the latter despotism the term imperialism. The people should just now welcome a degree of Federal centralization, at least to the extent of getting rid of the railroad and trust despotism for which these corporation and trust-fed lawyers stand. It is observable that they are simply obstructionists. They are ever ready with arguments in opposition; when they have nothing better they become rabid democrats of the old school, and harp on States' rights; but they are careful never to suggest a remedy.

For the purposes of government ownership of railroads Congress, as we have shown, possesses ample

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power; but to deal with the "Trusts," Congress must be given more power by an amendment of the Constitution. This is well known to all who have managed to have their views published in the influential press; but they dare not enlighten the people lest they offend their Wall Street retainers. It will not be necessary to require corporations to surrender their charters and reincorporate under Federal incorporation law, as has been proposed; but it will be necessary that Congress be given such plenary power over interstate commerce as will enable it to make the fullest investigations, punish corporations, even to the extent of nullifying their State charters or dissolving them, and not only them, but copartnerships and associations, and imprisoning individuals to the fullest extent. The vital interests of the people can be no longer sacrificed to the mere sentiment or fiction of States' rights. Sancho de Panza was a sage and philosopher in comparison to one who is willing to surrender lands and home and financial independence merely to preserve the shadowy vestige of States' rights. There are various kinds of imperialism. A little of the right kind at home is what the American people most need. Twelve amendments to the Federal Constitution had been made before a States' right doctrine was ever agitated. It had its origin when a disruption of the Union was desired. But the requisite amendment for ameliorating present conditions means just the opposite to disruption of the Union; it means its preservation.

The most plausible, and on its face the most forceful, argument against government ownership and operation is a dread of the use of the system as a political machine to perpetuate political ascendency. Without going into the details of this phase of the question, it may be well suggested that the whole matter rests with the people, and if the people are capable of accom-

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plishing governmental ownership, they are capable of providing in advance an antidote to this evil. But it is much less of a menace than it is supposed to be. There are by far more men employed in the postal service than in any other department of Government, and yet few complaints of offensive partisanship have ever been directed against it. The corrupting influence of the railroads which we now endure, and which we would under government ownership escape, is a stronger argument in favor of the change than is this argument against it. How can we expect political virtue and courageous independence on the part of the voter, young or old, when he sees every avenue to promotion, or even to the expression of his sentiments, closed unless he is willing to abjectly crawl into the good graces and political service of a corrupt boss, hired and paid by a soulless and criminal corporation? The fear of a great many public employees acting as a unit at elections is groundless. The civil-service-unit system naturally goes with public ownership. Now, granting that partisan corruption and tyranny have made great strides, there have ever been well-established and insurmountable limitations to their power. For instance, public opinion, both in the nation and in cities, so strongly supports the civil-service systems, established in response to a popular and inexorable demand, that neither bosses, machines, nor corruption agents for corporations have ever been able to interfere with their operation. We find under the Federal Government thousands of men who obtained employment there years ago, under differing party administrations, secure in their places and performing their duties faithfully. We find them in the post-office department, where alone they number over 100,000. We find them in every department, altogether several hundred thousand. They divide politically and vote as they please. No party has ever

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dared attempt coercion with those under the civil-service rules, and any such attempt would result disastrously to the party that tried it. Then, in most cities, civil-service rules are in force, and those protected by them may participate, to a reasonable extent and in an orderly way, in party affairs to their hearts' desire, and public opinion, irrespective of party alignment, would frown down any attempt to interfere with them in the exercise of the privilege, as it would if an attempt were made to remove a civil-service employee who had not become offensively partisan.

Every capable man now in the employ of the railroads would have to be retained in his position when the transfer is made to the Government. No one would think of perpetrating the unspeakable folly of a wholesale discharge of experienced, faithful employees. In the nature of things, they could not be thrown out without creating chaotic conditions and suspending a public service upon whose continuance public convenience, and in some instances the very lives of the people, depend. These would all go into service of the nation with their party predilections and rights; but they would go in under the protecting arm of civil service. To say that they would at once, or at any time, become the mere chattels of the party that happened to be in power, or that they could under any circumstances be bunched and driven hither and thither like so many sheep or cattle, is to insult the intelligence of all thoughtful men and malign a class who are among the most independent and courageous of citizens.

Only limited space is available for the discussion of the very important question of finance involved in the process of taking over to public ownership the vast properties devoted to railway transportation. On September 1, 1865, the Civil War had swelled the public debt to $2,757,689,570, which was the highest figure

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ever attained. On account of the war there were issued, first and last, twenty-eight different forms of securities—some as bonds having a long time to run and of large denomination, and some as Treasury notes of small denomination, to mature at early dates or payable on demand. When gold was obtained for the former, it was made the basis for large issues of the latter. As no specie was in general circulation, these issues of small denomination circulated from hand to hand, practically as money, side by side with aggregate issues of $715,420,031 in legal-tender notes and $562,776,400 coin certificates, neither of which bore interest. The eight years succeeding the war were years of unparalleled prosperity and commercial activity.

The foregoing facts and figures suggest the plain and easy road to financing the change from private to government ownership. Let the Government issue long-time bonds of $1,000 each for the larger part of the indebtedness, bearing two or three per cent interest; and certificates of indebtedness in small denominations for the balance, bearing a much lower rate of interest, but enough to prevent their circulating too freely as money, and yet so small a rate that they will be used as substitutes for money in times of stringency—say one per cent. The Government should establish a sinking fund for the redemption of the bonds of large denomination, to be maintained out of railroad earnings, while the certificates should only be redeemable at the option of the Government, except that a certain percentage of them should be accepted each year in payment of fares and freights. The railroad financing should not be intermingled with the general finances of the Government, but should be kept separate.

There need be no trouble in floating these evidences of indebtedness. The people would rapidly absorb the certificates. The bonds now held against railroad prop-

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erties need not be redeemed at once. Their lien would subsist against the same properties as at present, notwithstanding the change of ownership, and could be redeemed, as they fell due, out of the sinking fund; or, if they fell due too rapidly, they could be redeemed from the sale of the Government's railroad bonds. If necessary, in order to prevent a breakdown of the plan, the Government might refund some of the outstanding railroad bonds at the same rate of interest that they now bear. Very few of them bear over five per cent. Most of them bear four per cent and three and one-half, and some even as low as three per cent. According to the United States Treasury report for April, 1905, $543,000,000 of the public debt (nearly one-third) bears only two per cent interest. According to the latest Controller's report the average market quotation of the consols representing this part of the debt was, in 1904, at a premium of seven per cent. There is little room for doubt that government ownership could be financed with two-per-cent bonds. A half billion or more dollars in certificates of small denomination, bearing no interest, would pass from hand to hand as money, and, of course, would stand at par.

The improved credit of the United States is shown in a strong light by a comparison of the aggregates of the interest-bearing debt and the rate of interest in 1876 with those of 1902. In the former year the interest-bearing indebtedness was $1,710,685,450, and the annual interest charge was $96,104,269—5.6 per cent. In 1902 the interest-bearing debt was $931,070,340, and the annual charge was $27,542,945—2.9 per cent. As is well known, the Government could now float bonds at two per cent to the full extent of its indebtedness were it not for the fact that the premium on all of it above two per cent is so high that the Government would be a considerable loser by pur-

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chasing and retiring the bonds in advance of their maturity.

Some are found to oppose the Government's incurring of an indebtedness of such magnitude as will be necessary to accomplish the transfer. It is remarkable how reluctant people are to do great things in a collective capacity, and how readily, and with what little thought as to the effect and meaning, they acquiesce in the same things when done by individuals and private corporations. Morgan, Rockefeller, and a few others lay their hands on the bond and stock issues of the country and expand them to the extent of billions of dollars without adding a dollar to the nation's wealth. Some people merely marvel at the audacity and magnitude of the operations, but give no thought to the fact that behind it is a scheme to greatly increase transportation and other monopoly taxes to pay new interest and dividend charges. But the same people give the liveliest kind of thought to a proposition to float one-half of the same aggregate of Government indebtedness, involving a much lower rate of transportation and monopoly tax. The citizen could be himself a financier with reference to government affairs if he would. He should not object to a fiscal operation merely because of its magnitude, even in private business. Suppose some one should come to a business man of only average intelligence and shrewdness, and say to him: "I have discovered, within ten miles of New York, a bed of superior anthracite coal, twenty miles square and of immeasurable depth, and have procured a good title. Give me your note for $100,000,000, payable in fifty years in fifty equal installments of $2,000,000 each, interest at five per cent, secured on the property, and I will convey my title to you." If these statements were verified, he would not think of being deterred from accepting so profitable an offer by the magnitude of

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the indebtedness he was asked to incur. He would find the debt and the interest charge a very light burden and realize a very large margin of profit at the end of each year's developments.

Mr. Bryan, speaking of this question at the Jefferson Club banquet, at Chicago, in April, 1905, said: "The third Jeffersonian doctrine that is now being misinterpreted and misapplied is his argument against long-time debts. He took the position that the earth belonged in succession to each generation, and that the preceding generation had no right to mortgage the earth beyond its occupancy of it. If this doctrine had been adopted it would have been much easier to deal with the problems of to-day, but it is manifestly unfair to permit railroads and municipal supply companies to mortgage the public for generations, and then to quote Jefferson against the issue of bonds when a city attempts to rid itself of its private monopolies. It is better for a city to issue bonds at a low rate of interest and for actual improvements, than for a city to permit private corporations to issue bonds, based not upon investments, but upon the power of monopoly to extort an income from succeeding generations. Then, too, there is a very clear distinction between a debt incurred in the establishment of a municipal plan which will yield an income to the city and the incurring of a debt which yields no specific return. Jefferson had in mind a public indebtedness incurred for something which yielded no return, and properly viewed it as a curse rather than a blessing when bequeathed to posterity. But his views as to such an indebtedness have no relevancy to a large indebtedness carried by a city or general government, if the money borrowed is expended on a plant which not only pays interest upon the investment, but creates a sinking fund sufficient to discharge the indebtedness in a reasonable time, and thus leave to future

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generations the property unencumbered." In this way, within a single lifetime, a free title to all public service, municipal plants, and to interstate railways could be acquired by the people of the United States and transmitted to the next generation, which could greatly reduce rates and still realize a profit sufficient to entirely relieve them of taxation. That the Federal Government has the ability to do so—that is, that it can obtain sufficient credit for the purpose, and that at very low rates of interest—no one who understands the philosophy and methods of high finance can dispute. Despite the fact that great progress has been made by trusts, and especially by the Railroad Trust and one or two others, in getting control of natural resources, our argument has shown that government ownership will effect a release of many that have been acquired and give free access to those still under independent ownership.

But, addressing ourselves to those who hesitate and entertain fears when they contemplate the magnitude of the liability we urge the Government to assume, we call attention to past and prospective sources of wealth and prosperity of the country as proof that such burden will be lightly borne, even if it be a burden at all, which we elsewhere show it will not be. Note the marvelous increase in the nation's wealth during the last century. The population of 5,300,000, at its beginning, increased to 76,300,000, and our wealth increased in a much greater proportion, no accurate statement of it being possible, though it was estimated, in 1904, that it had reached the $100,000,000,000 mark. As for the future, Mr. Henry C. Nicholas, a well-known authority, writing in *Public Opinion*, in May, 1905, says: "The Louisiana territory alone has 875,025 square miles, which is only slightly less than that of the United Kingdom, Netherlands, Belgium, Germany,

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France, Spain, Italy, and Switzerland, whose total area is 888,978. These countries have a present population of 205,000,000, as against about 15,000,000 in the Louisiana territory. The agricultural and mineral wealth of the Louisiana territory would unquestionably sustain a population of 200,000,000 people. And the Louisiana territory, as far as area is concerned, forms only about one-third of the United States. With as dense a population as Europe possesses, the United States would have a population of about 600,000,000 people. There is clearly ample room in this country for a tremendous increase in population, and that the twentieth century will witness such an increase is one of the certainties of the future. No other country on the face of the globe possesses such inexhaustible natural resources or such marvelous fertility of soil. A strong reason for believing that the industrial progress of the United States in the future will be even more remarkable than in the past is the fact that the present century opened under the most promising conditions, and the problems confronting the nation, while many of them are of the greatest importance to the continuance of our prosperity and progress, are not of a nature to strike at our very existence, such as those which the country was called upon to solve during the last century."

How much greater would our wealth have been and how much brighter would appear our country's prospects if, when the importance of the transportation problem was first seen, our Government had instituted public for private ownership of railroads. And it is of the utmost importance that the duty should be no longer delayed. The two hundred thousand miles of railroad which we now have will probably have increased during the present century to one million, and the inflating of private capitalization will go on along the

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same lines as at the present, upon an ever-expanding scale, all the evils of present management continuing in more and more aggravated form. Election between emancipation of the Republic by the acquisition of the means of transportation on the one hand, and railroad tyranny on the other, will remain the issue until it is settled, and settled right. The people will have to decide between these alternatives sooner or later. Why not now?

The people of the several States and of the United States should now have learned to do big things in a great way in their collective capacity. As matters now stand, the people avail themselves of the advantages of public utilities on a petty scale. Not so with the corporations. The Southern Pacific Company did not hesitate recently to issue $160,000,000 of three and one-half per cent fifty-year bonds. That vast indebtedness is just as much a mortgage upon the people of California, Arizona, Texas, Louisiana, Nevada, and Utah, which its lines traverse, and upon an indefinite number in other States and Territories, and the annual interest and sinking fund are just as much a tax charge to be collected from the public, as if bills were made out and collected through State and county officers, as other taxes are collected. The amounts of the tax will not be calculated by those who pay it, but will be carefully estimated and added to fares and freight bills by the railroad company. Those States could construct and own a better system for one-third that amount, perhaps less, but would refuse to assume an indebtedness of even $50,000,000 for the purpose. They give but a passing thought to the fact that one only of the several railroad companies doing business within their borders has encumbered their property, profits, and earnings with more than three times that amount. A habit of thinking along these lines is most to be desired at this

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time. After the people have thought on these subjects a little time they will soon follow thought with action. That is the one thing, in fact the only thing, that the bosses and monopolists fear, real earnest political thought and action. Neither publicity nor protest are of any avail, but concerted political movements among the people strike terror to the hearts of these self-created taxgatherers.

The lack of space forbids any extended discussion of the rights, equities, and relations of stockholders involved in questions of public ownership. It may be suggested, however, generally, that the possibility that sovereignty will assert itself, and that its assertion may result in private loss, the investors in such securities have always before them. To them the maxim, *Caveat emptor*, clearly applies.

The prices at which the railroad stocks are now quoted upon the exchanges of the country represent in a very small degree intrinsic value. They represent, almost entirely, income-producing power, present or prospective, incident to the control which their possession signifies. The total outstanding issues of stocks, as given by the Interstate Commerce Commission of 1902, aggregated $5,806,566,204, and subsequent issues would bring the total to about $6,000,000,000. If in the acquisition plan the Government paid fifty per cent of face value, $3,000,000,000, this added to the cost of railroads would bring the total up to $7,000,000,000. Holding the same property with its vast earning power, and offering ir addition the entire wealth of the nation as security, the Government would float that amount of indebtedness in bonds, or certificates of indebtedness of small denomination, among our own people at a low rate of interest. Even if the rate were three per cent, the annual charge would be but $210,000,000. Compare this with $885,000,000 which the people paid in 1902,

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less $51,000,000 taxes, or net $884,000,000, and we begin to see the proportions of the financial balance in favor of Government over private ownership. Enough money is thus collected each year as profits by railroad owners, over and above what it would cost the people to pay interest on the indebtedness incurred in their acquisition, to pay ordinary running expenses of the United States Government one year. Thus far we have not mentioned the gross collections (called earnings) of the railroads. They aggregated, in 1902, $1,711,754,200 and now amount to $2,000,000,000. If the expenditures (operating expenses, interest, and dividends) were made broadcast among the people, or made in such a way that they would be redistributed among all classes, then extravagance or even illegitimate disbursements by railroad managers would be comparatively slight cause for complaint by the community at large. But each company maintains a large staff of head men, under various designations, and pays to each a princely salary; each company sets apart and expends a large "contingent" fund, ostensibly for "political protection," but really to be used for the debasement of the people and their representatives; each company carries free, at the expense of those who pay, a large number of persons—all whose favor and influence in any department of government, Federal or State, is considered of value. These are but a few items of illegitimate expenditure made before the balance is struck to ascertain the sum to be appropriated in the form of interest and dividends. Of course it is impossible to state with any certainty its amount, but undoubtedly it runs into the millions, and it is all taken by the inexorable hand of monopoly from the people. Most of it would be saved if the Government owned the roads.

Ex-Senator Chandler clearly sees the superior ad-

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vantages to the public, and from a financial standpoint, of government ownership over the present system. Commenting on the proposed rate bills before Congress, he said: "If the Government should acquire the railroads for $8,000,000,000, it could borrow the money at three per cent, and the tax on the public would be only $240,000,000, as against five per cent on $12,000,000,000, namely, $600,000,000."

Much has been already said on the subject of exorbitant rates and the reasons therefor. But it will not be amiss to repeat here that freights and fares should be a great deal lower than they are at present. That the interest charges upon fixed capital are double or treble what they should be, as compared with other forms of investment, has already been fully shown. The comparison there made ignores the much lower rate of interest at which the Government could float the railroad indebtedness in the case of government ownership. That would, of itself, be a very important item in its favor.

There can be no stronger argument than the results of experience in countries where the Government either owns, or absolutely controls, the railroads through partial ownership. For the following summary the author is indebted to *The Altrurian:*

"In Australia you can ride a distance of 1,000 miles across the country for $6.50, first-class, too, while workingmen can ride six miles for two cents, twelve miles for four cents, etc., and railroad men receive twenty-five to thirty per cent more wages for eight hours of labor than they are paid in this country for ten hours of toil. In Victoria, where the above rates prevail, the net income from the roads last year was sufficient to pay all the federal taxes. In Hungary, where the roads are state owned, you can ride six miles for one cent, and since the Government bought the roads wages have

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doubled. Belgium tells the same story—fares and freights cut down one-half and wages doubled. Yet the roads pay a yearly revenue to the Government of $4,000,000. In Germany you can ride four miles for one cent on the government-owned lines. Yet wages are over a hundred and twenty per cent higher than they were when the private corporations owned them, and during the last ten years the net profits have increased forty-one per cent. Last year the roads paid the German Government a net profit of $25,000,000."

In the matter of owning and operating means of transportation in the nation at large, as well as within cities, many suppose that we lead the world and are "up to date"; but, in fact, we are a half century behind the times. In other countries, especially in the most enlightened and progressive, the people have found in government ownership a remedy for strikes, rebates, discriminations, and exorbitant charges; here we have found none. Abroad, public service, and not profit, after cost of management and repairs are paid, is the aim; here, under private control, profit and not public service is the principal incentive. But the power to fix and maintain a dead level of rates for a commodity of general necessity, and to compel all to pay them, is not the power to do private business, but to govern and exercise the power of taxation, functions which should never be intrusted to private hands. If bestowed upon individuals and corporations it is so much power subtracted from that which belongs to the people at large, nor is there any good reason for it. It can only be explained by conceding the willingness of a majority to license robbery and extortion of themselves by the few.

The rapacity of the trusts can be checked and business restored to normal channels in but one way, and that is for the Government to acquire the means of

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transportation, and then fix rates so that the short haul shall pay proportionally the same as the long and no more. A packing house, or an oil refinery, or a tobacco factory, for instance, near the place of production—near the crude or raw material—could not then be destroyed by the competition of a trust a thousand or even five hundred miles away, no matter how great the latter's capitalization. Government ownership of public utilities has become necessary in the process of industrial evolution. It is logically necessitated by the trustification of manufactures and consolidation of the means of transportation.

Rate regulation differs from unlimited power of rate-making, such as would be exercised under government ownership, and such, we insist, could not be exercised under the system of private ownership, in this, that rates cannot be prohibited to an extent that will leave the owner without some profit upon the investment, which the courts tell us is a reasonable profit; whereas, if the Government owned the roads, so that the Government could arbitrarily make rates, a rate might be fixed, either upon a particular line or upon all lines, so as to temporarily work a loss in operation, if circumstances should require it. Under government ownership, conditions can be easily imagined which would justify the Government, temporarily, in operating some or all railroads at a loss, just as a loss may sometimes occur in a branch or in the entire department of postal service. But the making or fixing of a rate which will fall short of yielding a profit would amount, under the private-ownership system, to the taking of property not only without due process of law, but without compensation; that is to say, to a confiscation of it. We have elsewhere shown how some of the great industrial monopolies were created and are maintainable only by reason of the advantages given them in transportation. It will

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be seen that the remedies at present mostly discussed call for the enactment of laws that would be essentially and strictly special; and we here suggest that, if it be permissible at all to resort to specially planned and directed attacks upon such monopolies in order to get rid of them, no scheme of that character could be nearly so effective or open to so few objections as that of so adjusting freight tariffs under government ownership as to encourage and build up industries in competition to the so-called trusts. That would, it is true, be amenable to the objection that the Government as a common carrier—and, indeed, in all its relations—should accord to all equal treatment, whether rich or poor, whether existing as corporations or natural persons; but it would be no more objectionable from the standpoint of general democratic principle than the other remedies proposed, and would be exempt from constitutional objection. The Government gives to some parts of the country better mail service than it gives to others, nor has its constitutional right to do so ever been called in question. It appropriates millions of dollars to improve certain rivers and harbors adjacent to certain cities, and maintains forts, arsenals, and furnishes naval protection at certain points, leaving others unprotected. No one criticises these appropriations from a constitutional standpoint. Likewise, the Government might, by providing a rate of transportation less than the general rate, aid, for instance, the independent oil producers and refiners of Kansas, California, Pennsylvania, and other States, and thus destroy the monopoly advantage of the Standard Oil. It might in the same way develop the beet-sugar industry in various sections and deprive the sugar trust of its monopoly. Other illustrations could be given.

In Governor La Follette's plea for vesting a rate-making power in a commission, he advances arguments strongly suggestive of the superior expediency of gov-

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ernment ownership. For instance: "The Federal Government is great and powerful. It can secure the services of competent men. It can employ as many as may be required to protect the interests of the business and the people of the country." The appliances of railroad operation are relatively simple. In all things, until we reach the financing department, we may properly designate railroad operation as a simple science, largely a matter of uniform routine, there being little difficulty in filling the most important positions. Under government ownership there would be a permanency of employment conditioned only upon good behavior and faithful service, and the aggregate rewards would be more than at present, though the rates charged would be lower. Hours of labor would be shorter and better regulated and the employment in every way more satisfactory. Much of the trouble between the railroads and their employees arises from discontent of the latter with their condition and remuneration when compared with that of the owners and chief officers. There might be discontent under government ownership, but there would be no strikes, lockouts, or riots. Such occurrences are unknown under the postal service. In these days of trusts and consolidations, strikes and cut-downs between labor and railroads, it may be interesting to note what has been and can be done to remedy these evils. We never hear of any strikes, cut-downs, or labor troubles on the railroads in countries where they are owned by governments; and why? Because the governments own and operate them in the interest of all the people.

The legislation and procedure necessary to inaugurate government ownership need not be at all tedious or complicated. Constitutional power is not lacking. In brief, the steps would be about as follows: An Act of Congress would be passed declaring the Government's

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purpose and policy, and authorizing the appointment by the President of a board of appraisement. The act should designate, either by name or by class, the roads to be first appraised—for instance, all transcontinental roads, all trunk lines, or all interstate lines, in their order. The act should prescribe principles to govern in fixing values for purposes of appropriation to the public use. Thus, it might, and should, instruct the commission to reject any value based upon monopoly advantage, and for that reason it should also ignore market quotations of stocks. Where money has been actually advanced by bondholders and invested in the property, such bonded indebtedness should be counted as value, provided the reproduction of the same property on the same route would cost at least an equal sum. The value, calculated upon the basis of cost of reproduction in excess of bonded indebtedness, should be awarded to the stockholders. Or a different rule, more favorable to the stockholders, might be prescribed. The entire *bona fide* bonded indebtedness might be counted as value, dollar for dollar, as well as the average market price of each stock, say for twenty years past, might be added. Other methods could be suggested. The board of appraisers having reported to the President, the Secretary of the Treasury should be directed, by suitable legislation, to act upon the report by issuing, and exchanging or marketing, the prescribed evidences of public indebtedness. Of course, any railroad corporations not accepting the findings of the board should be permitted to appeal to the courts.

Appraisers may be appointed to fix and assess the values of all assets, and the value so fixed may be tendered. Bonds or other evidences of public indebtedness will be issued and tendered; and if these be not acceptable, they will be sold and the money tendered. Nor will the Government find it necessary to go to Wall

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Street syndicates to raise the money. Certificates of indebtedness, secured upon the properties and the pledge of their earnings, will be offered to the people, and will be gladly taken. If the rate of interest be higher than now paid to the holders of government bonds, the prices of the services and commodities supplied by the utilities will bear the increase, and still be less than at present, and will constantly decrease as the indebtedness is extinguished.

Whether aware of it or not, all classes are vitally interested in the solution of the transportation problem. The combined bondholding, stockholding, and financial interest has already diverted into its coffers most of the net earnings of the people. This has been accomplished so quietly and skillfully that a majority of the sufferers are unconscious of the cause of distress. They have been taught by politicians and newspapers and other paid agents of the bondholding interest to attribute it to high tariff, to exportation of gold, to overproduction, to expansion of credit, to an overexcited imagination, etc. While some of these are phenomena, they are none of them real causes. Most of them are but symptoms. The disease lies deeper. Our grievances are the offspring of acquiescence or actual connivance of the constituted powers with other powers so great that they ask to be "let alone." They are able to take care not only of themselves but of the whole country, if allowed to do so in their way. "Peace, conservatism, and safe policies" is what they require. A complete understanding among themselves—that is, combination—will work out prosperity, according to their definition of the term. Pleaders for abject conservatism have ever been either open enemies of their country or stumbling-blocks in the way of its progress. The slaveowners and their Northern allies were conservatives. So were those who loaned greenbacks to the

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Government and afterwards exacted gold. The Tories of the Revolutionary era were conservatives who could tolerate no change or deviation from the beaten path into new paths.

Every merchant, every farmer, every wage-earner, every tradesman, and every manufacturer not a party to a trust agreement is engaged in the fierce strife of competition with every other in the world. In the field of business and industry new machines are invented and new processes discovered and employed as weapons against rivals. All tendencies are toward cheapness, and there has been an immense decrease in prices in the last few years. This applies to products of the farmer and to those of manufacture, except where, in the case of the latter, the tendency has been temporarily checked by trust agreement. But competition, which was once so rife between rival lines of railroad and resulted in a considerable reduction of rates and fares, is no longer operative. "Community-of-interest" agreements have suspended operation of natural laws, and by reason of these the railroad interest holds that advantage which only a complete monopoly can give. As William J. Bryan has well said: "A private monopoly, such as public ownership is intended to prevent, does not enlarge the sphere of the individual or inspire him to high endeavor. The actual effect of a private monopoly is just the reverse, and wherever the principle of private monopoly enters, the Government must operate the monopoly or violate all the principles taught by Jefferson."

There is a mighty influence in the United States hostile to governmental activity in any matter not pertaining to good order, police regulation, and general commerce. On the side of the let-alone policy we find arrayed most of the professional politicians and office-holders, many newspapers and writers on economic subjects, and practically all large owners of railroad

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capital. But the enlightened, voiceless multitude, the taxpayers, farmers, wage-earners, and business men, of small capital, if given an opportunity at the ballot box, with partisan prejudice allayed, would settle the question in short order favorably to government ownership. Party politicians, even when not corrupted by this railroad and moneyed interest, are timidly conservative. They fear to advocate anything of a radical tenor, lest it turn out to have been a mistake and result in party ostracism. Newspapers, as a rule, are influenced in the same way when not subsidized, as many of them are. Economic writers who depend upon the periodicals as mediums of expression and sources of revenue, if disposed to take popular ground on this and kindred questions, find it impossible to secure publicity. But public opinion must and will find expression; the wrongs and abuses of long standing will in some way find redress. The present strained conditions cannot be perpetuated. There will either be a concession or a revolution. It is time for radicalism, such as resulted in freeing the slaves of the South. The toleration of slavery for so long a time after the public conscience was aroused was because of ultraconservatism. But what was the nominal slavery of 4,000,000 blacks as compared to the actual industrial slavery of 85,000,000 people, mostly white? Governmental activity to meet rapidly changing conditions—radicalism, if the term is preferable—is the crying need of the hour. Governmental passiveness means national death.

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